

# BUSINESS WEEK

JAN 4 1947



Walter Geist of Allis-Chalmers. His key issue of 1946 is a key issue for all industry in 1947 (page 8)

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## Timetable of destruction

**L**ESS THAN A YEAR AGO a large group of workers struck for higher wages and got them; then instead of increasing their production to *earn* the higher wages, they produced only the same amount.

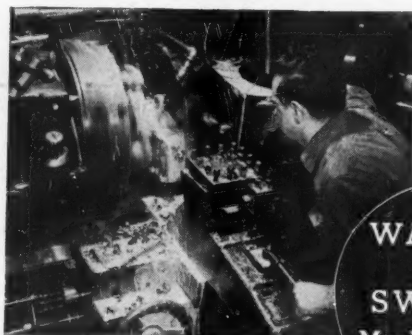
Of course this *more money for the same work* increased the cost of what those workmen make. So other workmen struck for an increase *with which to pay* the increase in costs the first workmen had caused. But they, too, failed to increase their production to pay for their increased wages. And of course *this* more-money-for-the-same-work sent up the cost of what the *second* group of workmen make.

Now the *first* group of workmen are back again, demanding an increase with which to pay the higher prices the second group brought about.

Of course as every schoolboy knows, this

vicious spiral could go on forever, with the workmen themselves ruined and the entire country bankrupt because savings accounts, life insurance and government bonds would all be worthless.

Every decent businessman wants his workmen to get higher and higher wages, and only asks that they be honestly earned. And the only way any workman can earn higher wages is to increase his efficient production. *Then* what he makes will *not* cost more, and he and all other workmen will enjoy the *benefits* of higher wages instead of suffering the penalties of higher costs.



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Wahls

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**B.F. Goodrich**  
**FIRST IN RUBBER**



## Candy for cows cools off on rubber

*A typical example of B. F. Goodrich improvement in rubber*

**C**ows love 'em, and give out more milk when they're fed those soy-bean-and-molasses wafers.

The trouble was the wafers were too expensive to make. Mixed and shaped in an oven, the hot pellets were dropped onto a moving rubber belt to be cooled and carried to packaging machines. But the heat and the vegetable oil in the "candy" attacked the rubber belts, made the belts swell and break into pieces in sixty days or less. Besides the cost of new belts, the

plant had to shut down, production was lost.

B. F. Goodrich engineers, who had designed special belts for almost every possible service, went to work on this one. They developed a synthetic rubber which resists oil, and found compounds which, added to it, enable the rubber to stand the 180° heat of the oily wafers.

Belts of this new BFG compound were made. Today they have been in use not 60 days but 6 months and still

look as good as new. They have already carried 31 million pounds of the hot, oily "candy for cows" without a single stop or a moment's time loss.

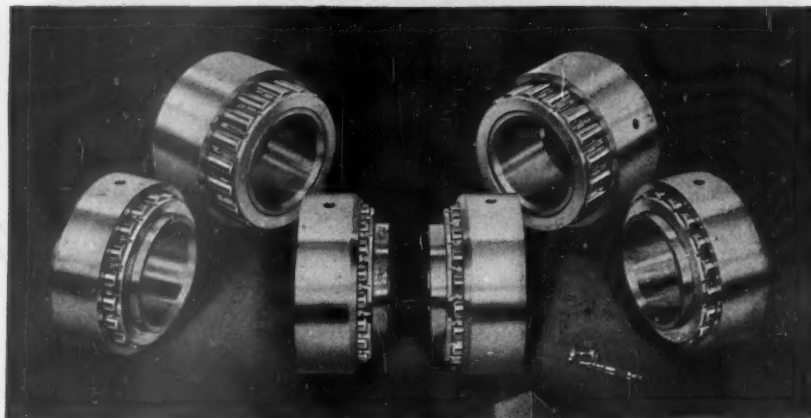
Production has been continuous, repairs have been eliminated, costs have been reduced—typical advantages of the B. F. Goodrich development which is applied constantly to every rubber product. *The B. F. Goodrich Company, Industrial Products Division, Akron, Ohio.*

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MUSKEGON MICHIGAN



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## BUSINESS WEEK

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The International Outlook . . .  
Labor . . .  
Marketing . . .  
The Markets . . .  
New Products . . .  
The Outlook . . .  
Production . . .  
Readers Report . . .  
The Trend . . .  
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# WASHINGTON BULLETIN

## ERA OF COMPROMISE

With the seating of the Republican-controlled Congress, two years of legislative compromise are ahead. This will make it difficult for the leaders of either party to make a record on which they can confidently claim the presidency in 1948.

The Republicans hold the initiative in legislation; they will determine its nature and shape. But situations will arise in which President Truman, by adept use of his veto power either as a threat or in fact, can block Republican measures or force their revision.

With the G.O.P. in control of Congress for the first time in 14 years, a largely new generation of Republicans realizes that they will have to play a smart game to keep their advantage.

Compromise is the stuff that legislation ordinarily is made of. The New Deal's whip hand and war's necessities have driven much rubber-stamp legislation through since 1932. But in the

period ahead, Congress will be occupied largely with appraising and revising New Deal social reform laws, dismantling wartime government powers (BW—Dec.28'46,p19), and mapping peacetime policy in various fields.

In the last two months Truman has taken the edge off or eliminated several issues which were important factors in the G.O.P. election victory. The most irritating wartime controls were abolished in November, and this week the President officially terminated hostilities as of noon, Tuesday, E.S.T. His action meant the immediate end of 20 wartime laws; 33 others will expire within six months unless continued by Congress.

Truman's firm stand against John L. Lewis and his United Mine Workers in a sense anticipated legislation which has top billing in the new Congress. This doesn't mean that antistrike and other labor legislation has been removed from the field of controversy. Not by a long shot—but the chief arguments now will develop in intraparty sessions. Both the Republicans and Democrats are widely split on how far legislation should go. There are sizable segments in both parties eager to vote punitive legislation against unions. It will require some astute maneuvering by the G.O.P. leaders to prevent this and avoid the resultant antilabor tag on the party.

Sen. Taft has assumed the dangerous role of moderator by electing to take the chairmanship of the Senate Labor & Public Welfare Committee. It's one in which a presidential aspirant can go far—or fade fast.

## Taxes and Tariffs

A more agreeable task will be the reduction of federal taxes, though it won't prove as simple as some G.O.P. leaders first thought. The proposal of Rep. Harold Knutson, new chairman of the House Ways & Means Committee, for an immediate 20% across-the-board slash in personal income taxes has run into opposition not only among Democratic members but in his own party. The prospect is for increased exemption combined with graduated reductions so that small and more numerous taxpayers get a proportionately larger share.

Truman undoubtedly will approve any reduction that the Republicans now are likely to put through. Although he has talked against tax cuts, it would not be surprising if, with the passing of the inflationary threat, he should steal another march on the Republicans by proposing a moderate tax cut.

The tariff issue is coming up. It will cause a bitter fight. Many Democrats will join Republicans, but not

enough of them to override certain veto of any measure designed to scuttle or substantially restrict the Administration's reciprocal trade program. Some opponents of Administration policy are seeking to cut it down by attaching disabling riders to other legislation. So far their strategy hasn't developed.

## Presidential Maneuvering

Although the G.O.P. holds good working majorities in both houses, the Republicans are no more harmonious than when they were minorities. This was evident in the trouble encountered by the leaders in organizing the Senate and House. Organizing difficulties are neither surprising nor unusual, but they were complicated this time by two fac-

## Senate's New Leaders

Here is the tentative leadership of the new Senate:

**President Pro Tem**—Arthur Vandenberg, Michigan.

**Republican Floor Leader**—Wallace White, Maine.

**Democratic Floor Leader**—Alben Barkley, Kentucky.

**Republican Whip**—Kenneth Wherry, Nebraska.

**Democratic Whip**—Lister Hill, Alabama.

**Chairman of Republican Committee on Policy**—Robert A. Taft, Ohio.

## COMMITTEE CHAIRMEN

**Agriculture**—Arthur Capper, Kansas.

**Appropriations**—Styles Bridges, New Hampshire.

**Banking & Currency**—Charles W. Tobey, New Hampshire.

**Labor & Public Welfare**—Taft.

**Foreign Relations**—Vandenberg.

**Interstate & Foreign Commerce**—White.

**Finance**—Eugene D. Milliken, Colorado.

**Armed Services**—Chan Gurney, South Dakota.

**Judiciary**—Alexander Wiley, Wisconsin.

**Public Works**—Chapman Revercomb, West Virginia.

**Public Lands**—Hugh Butler, Nebraska.

**Civil Service**—Clyde Reed, Kansas.

**Rules & Administration**—C. Wayland Brooks, Illinois.

**Expenditures in Executive Depts.**—George D. Aiken, Vermont.

## And Their House Mates

Present organization plans in the House call for these appointments:

**Speaker**—Joseph W. Martin, Massachusetts.

**Republican Floor Leader**—Charles Halleck, Indiana.

**Democratic Floor Leader**—John McCormack, Massachusetts.

**Republican Whip**—Leslie C. Arends, Illinois.

**Democratic Whip**—?

## COMMITTEE CHAIRMEN

**Agriculture**—Clifford Hope, Kansas.

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**Judiciary**—Clarence E. Hancock, New York.

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**Labor**—Richard Welch, California (?).

**Merchant Marine & Fisheries**—Richard Welch, California, or Fred Bradley, Michigan.

**Armed Services**—Walter G. Andrews, New York.

**Veterans Affairs**—Edith Nourse Rogers, Massachusetts.

**Public Lands**—Dewey Short, Missouri.

**Ways & Means**—Harold Knutson, Minnesota.

**Rules**—Leo Allen, Illinois.

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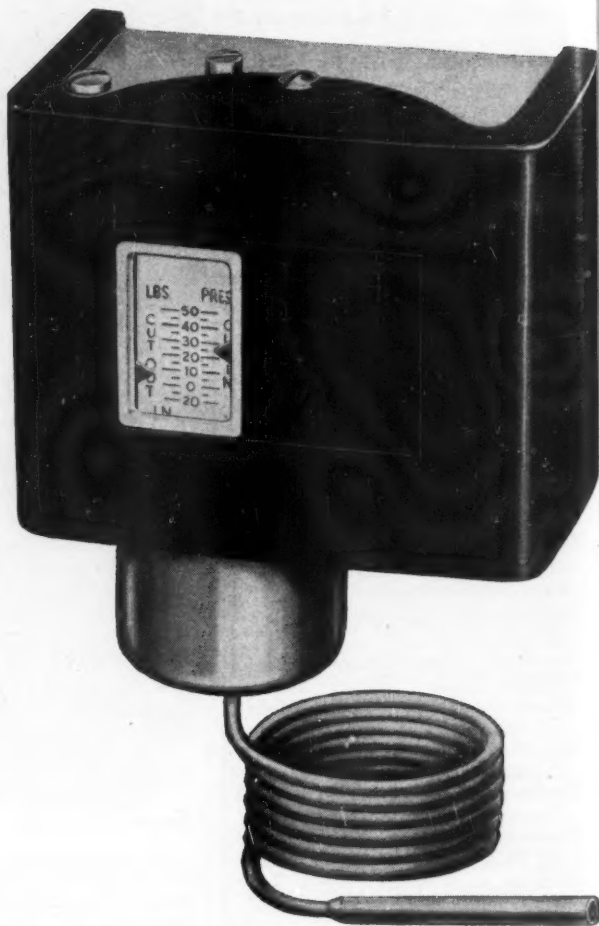
# NEW

## Control For Refrigeration Jobs . . .

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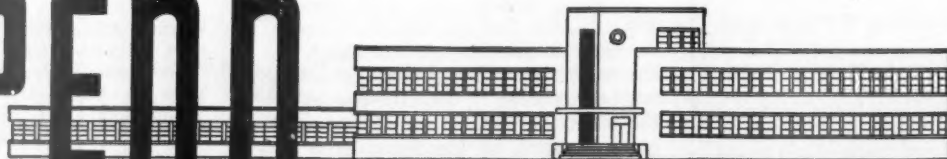
Never before was there a refrigeration control with such outstanding design features. To refrigeration and air conditioning men they mean greater dependability, more efficient operation, freedom from contact trouble, better electrical performance, greater accuracy regardless of mounting position or vibration conditions, close differential, ease of installation and simple, easier adjustments.

Such development work goes on constantly at PENN. Our engineers are busy with controls not only for refrigeration, but for air conditioning, heating, engines, pumps and air compressors. All our skill and knowledge are devoted to making PENN controls longer-lived, better fitted to their tasks and a better value for the user. *Penn Electric Switch Co., Goshen, Ind.*



*Series 270 and 272 PENN "Single" temperature or low side pressure controls. Also (not shown) Series 271 and 273 PENN "Dual" Controls which combine in one unit a temperature or low side pressure actuated mechanism and built-in high pressure safety cut-out.*

# PENN



## AUTOMATIC CONTROLS

FOR HEATING, REFRIGERATION, AIR CONDITIONING, ENGINES, PUMPS AND AIR COMPRESSORS

ors: the legislative reorganization plan that reduces the number of committee posts, and the fact that presidential aspirants are pulling strings to put their supporters in key spots.

The maneuvering for the G.O.P. nomination in 1948 is going to be felt in Republican performance on Capitol Hill throughout the next 18 months.

## LAND ISSUE BOILS UP

Government land policy will get a making over during this session of Congress. Old grievances of western stockmen and miners were intensified by wartime federal encroachments. And huge federal acquisitions of land in the East have made land policy an issue there, too.

The Administration is in poor shape to withstand the coming attacks. Federal lands include both the western public domain left over from homesteading days and areas throughout the country acquired for government use. Control over these lands is scattered through a dozen agencies. Nobody even knows how much land the government does hold. Last summer President Truman made a pass at clearing up the confusion by creating a new Bureau of Land Management in the Dept. of the Interior. This move combined the General Land Office and the Grazing Service, and threw in some mineral leasing that was unearthed in the Agriculture Dept.

Interior Secretary Krug is still trying to get agreement on a director of the new bureau. This was set up as a civil service job, but sundry congressmen want to make it subject to Senate confirmation.

Meanwhile the bureau is being run by veteran Land Commissioner Fred W. Johnson and energetic New Dealer Joel Wolfsohn, a holdover from the Ickes regime. Wolfsohn is acting associate director but probably is too well hated on Capitol Hill to make director. Stockmen and mining interests would prefer someone of their choosing.

### Stockmen's Proposals

Most fundamental attack on federal land policy is aimed at taking what's left of the public domain entirely out of federal hands. The underlying pressure here is from stockmen who are interested in buying up the public ranges. Some of them are backing a proposal by Sen. Edward V. Robertson of Wyoming to turn over the land to the states. Others are talking of reviving the proposal of the Garfield commission of

Hoover days. This would permit direct federal sale of range land—reserving only the mineral rights.

Eastern as well as western state governments are urging a system of federal payments in lieu of taxes to all local governments where U. S. lands are located. Sen. Guy Cordon of Oregon will probably introduce legislation along this line. Rather than flatly opposing it, the Administration will try for a flexible arrangement. This would be based on the extent of services furnished to federal property by the local government. The plan also would allow offsets for existing federal contributions and for revenues the local government derives from federal activity.

### Western Grievance

Long-standing grievance in the western states is the federal practice of withdrawing portions of the public domain from homesteading, mineral exploitation, lumbering, and sometimes even grazing. At present the government restricts one or another of these uses on nearly 60% of the 400,000,000 acres of federal land in the West.

Sen. Patrick McCarran of Nevada plans to revive the bill he introduced last session to limit withdrawals. It would cancel existing withdrawals and forbid any in the future except as they were individually approved by Congress. Here again the Administration expects it will have to give ground. But it hopes to hold Congress to a silence-gives-consent veto power.

## RUBBER CONTROL TO STAY?

A Congress gunning for controls will be under heavy pressure early in the session to continue at least one industrial control—and one which will be distasteful to the public. That's the rubber order requiring use of specified percentages of synthetic and natural in all rubber products. Unless Congress acts, the order dies Mar. 31 with the Second War Powers Act (BW—Dec.28'46,p19).

If the controls expire before a long-range policy on synthetic rubber is set (BW—Nov.2'46,p15), the young industry might die. The government is determined to keep it alive for military reasons. And tire producers welcome it as a protection against wild gyrations in the world price of natural rubber—ranging from \$1.23 a lb. in 1925 to less than 3¢ a lb. in 1932.

### World Price Is Now Free

A free world market became effective Jan. 1. The price of natural rubber may go up; unallocated rubber was

selling a few months ago at 35¢ a lb. in South America. But it's much more likely to go down. Natural rubber has become available much faster than expected. A world supply of 1,200,000 long tons is expected this year; two months ago estimates were running less than 1,000,000 tons. The total supply in 1946 was 850,000 tons.

Despite the rubber manufacturers' doubts, Washington thinks that as much as 800,000 tons of natural may be available to this country in 1947. Total U. S. need for rubber—natural and synthetic—will be about 1,000,000 tons. Though some officials look for early formation of a producers' cartel to peg the natural rubber price, it looks to them like something close to a buyers' market this year.

Domestically, the price is still under control. Private import is forbidden under the First War Powers Act which does not expire until six months after the official end of the war. All natural rubber is purchased and allocated through RFC subsidiaries.

### Effect of Public Demand

If controls were to lapse, competition would soon force the tire manufacturers, individually, to swing entirely to natural rubber. The public wants all-natural tires. With production showing signs of catching up with demand, someone is sure to offer such tires if allowed to.

In any case, the government has little chance of disposing of its synthetic plants to private industry until Congress sets up permanent arrangements that will guarantee synthetic a future.

## N.A.M. ANSWERS NATHAN

The National Assn. of Manufacturers joined the battle of statistics in the second-round wage drive this week. It was answering the C.I.O.-sponsored Nathan report, which maintained that "total corporate business" can pay a 25% wage increase (BW—Dec.14'46, p16).

Nub of N.A.M.'s reply is that profits vary between, and within, industries. Besides, says N.A.M., it is better to reduce prices, which benefits everybody, than to raise wages, which helps only those getting the raises.

Profits cited by N.A.M. indicate one reason why the C.I.O. has decided to let the steelworkers lead the way, ahead of the auto and electrical workers. Iron and steel profits for the first nine months of 1946 were 43% above the same period in 1945. Electrical





Tapered arch forms used in constructing Arizona dam.

## STEEL FORMS

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**FIVE PLANTS SERVING THE WEST**

equipment was down 70% and autos and equipment were down 86%. Source quoted was the National City Bank.

### THE COVER

If anyone wanted to see America's biggest domestic problem of 1946 in microcosm, the place to go was Allis-Chalmers Mfg. Co. That problem was, of course, labor.

In the Allis-Chalmers strike which began last spring were raised and fought out all the issues that underlay the hundreds of walkouts which kept industry to low gear and accounted for more lost time than in any other year in our history. Some of those strikes turned on wages, some on working conditions, some on grievance handling, others on union security; but Allis-Chalmers had them all, plus two more ingredients which are no small part of the labor problem—left-wing unionism and a labor-in-politics tie.

• **Exception**—Handed the whole package, Allis-Chalmers acted as did few other large employers in 1946. That was the year when the pattern was to lock the gates when a strike broke and switch the power on only when a settlement had been reached with the unions. A-C kept its gates open, stood by its principles, and saw one of its plants after another climb back to full production as the local unions signed contracts that held close to the company's proposals. As 1947 opened, only the West Allis plant was still being picketed.

The man who made these policies and finds them being vindicated by these developments was himself an errand boy at West Allis 37 years ago. His whole business life has been spent with Allis-Chalmers. As chief transmission engineer he developed the multiple V-belt drive and created a new industry. Four years ago, moving up from the general sales manager's job, he became president of the company.

• **Warnings**—As one of the nation's leading business executives, Walter Geist views his battle from a long perspective. He can see the new labor-management issues developing and he reads the warnings of another trying year, despite efforts to legislate labor peace, dramatic union setbacks, and a delicate economic balance which makes strikes perilous.

For Allis-Chalmers and for other employers across the land the big domestic problem as 1947 opens is still labor.

The Pictures—Acme—15, 16, 19, 35, 56, 65; Press Assn—15, 17, 54; Harris & Ewing—15; Charles Phelps Cushing—21; Int News—38; Blank & Stoller—48; A. F. Sozio—52.



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# THE OUTLOOK

BUSINESS WEEK

JANUARY 4, 1947



Storm signals are blinking along the price shoals. This could be the beginning of the "readjustment" people have been talking about.

Hardly had the turkey gravy been wiped from consumers' collective chins when store ads proclaimed clearance sales the like of which hadn't been seen since before the war.

The reduction now has taken in more than just farm-and-food products. Scores of hitherto "short" textiles have been marked down—not alone style merchandise and luxury items such as furs and jewelry, but bathroom and kitchen towels, women's house dresses, corsets, and the like.

Yet it must be remembered that most cuts up to now have been in items where profit margins are very wide. Outside the fur field, nobody has been seriously hurt—yet.

Trouble is to be expected only if nervousness works back into wholesale markets and thence on to the manufacturing level.

•  
If prices now have started downward, there will be plenty of people to agree that the turn hasn't come a minute too soon.

The cost of living has risen 18% in a year (most of it in the last six months) while food at retail is up 34%.

•  
Store sales before Christmas hardly came up to the rosier hopes.

The average gain in dollar volume for department stores in the last month of the holiday rush was only about 20% above a year ago.

Most, if not all, of that gain represents simply price increases; physical volume was up little if any from the year before.

Earlier, the gain over 1945 had averaged a good deal better than 20%. Stores had stocked up in anticipation that this demand would continue.

Some disappointment thus may account for present clearances.

Then, too, this is the last chance to move inferior merchandise. And it is wise to reduce all stocks while reappraising the future.

•  
Most forecasters haven't been expecting a major break in prices at this time. Almost to a man, Washington economists have been saying, "Not before the end of the first quarter." Many figured much later.

With that in mind, just how much of a break have we experienced?

It's easy to overemphasize what has happened. Farm prices slipped 3.7% from October to November. Yet they still were at 263% of the 1909-14 average and three times as high as when war broke out in 1939.

Foods in November topped even the record level of June, 1920. They were up one-third from the end of the war and double the 1939 level.

Farm-and-food prices hit their peak late in November or early in December. They have gone down since. But, and here is the important thing, mark-ups on industrial raw materials outweigh the farm-and-food dip.

•  
Industrial prices are not going to give way easily. In fact, the present push in this sector is almost without exception still upward.

Prices of manufactured goods, between August of 1939 and October of 1946, were up a little over 60% (in contrast to 100% for foods and 200% for farm products).

Raw materials that go into manufactures rose almost 125% in the same period and have risen another 15% to 20% since October. Factories' aver-

# THE OUTLOOK (Continued)

**BUSINESS WEEK**

**JANUARY 4, 1947**

age weekly wage payments have just about doubled—and face another rise.

Thus, costs have far outrun prices in manufacturing. Only in a few lines, where demand is catching up with supply, are prices wavering. Demand for most consumers' durable goods still is so strong that there is little inclination to cut prices, even if margins are adequate.

Manufacturing costs will benefit if higher prices for raw materials bring out more stuff.

Prime characteristic of a free market is that favorable prices will encourage output to the point where prices flatten out and ultimately seek their proper level. But producers hold back a little as long as prices show signs of going still higher.

Thus, though metals now are very high, producers aren't anxious to sell. Scrap dealers are in no hurry to dispose of lead, for example.

But if mine production of lead turns up sharply to take advantage of present prices, scrap dealers may change their tune. Now that the government no longer is telling manufacturers how much lead they can use, all comers are free to bid for scrap that may be in hiding.

Here are all the ingredients for a sharp spill—but not right away. Industry needs half again as much lead as it is likely to find. Manufacturers of batteries and of antiknock fluids for gasoline are lead-starved.

Industries using lead will not feel the full effect of the end of controls until next month.

The reason is that those with government quotas had placed orders to cover January allowances. Lead for this month is mostly bought up. Those who didn't have quotas or had very small ones can do little more than scour the byways for whatever additional metal may be found.

Foreign nations' desire for dollars may result in expanded imports of many scarce raw materials now that controls are off in this country.

Latin American producers of nonferrous metals may decide, for example, that Uncle Sam's dollars look safer than John Bull's pounds.

The flood of silver to this country, which has knocked the price down about 7¢ an ounce, is attributed to dollar-hungry foreigners.

Insurance companies that have been buying entire issues of corporate securities may one day find the policy costly.

It looks good now. The issuing companies are prosperous and the institutional buyers need the securities to build up investment income.

But if hard times should come before the loans are repaid, it would be nice to have some other investors along to share the risk. A single buyer might have to send good money after bad trying to keep the borrower afloat.

Early estimates of another record winter wheat harvest in 1947 increase the possibility of another railway car shortage next autumn.

The government wants to earmark steel for more than 100,000 freight cars this year. That's a big order. Only 38,000 were built in 1946.

Recent cold hasn't done winter wheat any good, however. Freezing temperatures caught much of the belt with little snow cover. This could result in much less than the 950,000,000-bu. potential recently forecast.

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# FIGURES OF THE WEEK

## THE INDEX (see chart below).

### PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	87.7	72.8	60.2	80.6	97.3
Production of automobiles and trucks.....	63,955	†96,754	72,222	10,690	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$14,732	\$16,039	\$14,272	\$10,048	\$19,433
Electric power output (million kilowatt-hours).....	#	4,940	4,448	3,759	3,130
Crude oil (daily average, 1,000 bbls.).....	#	4,708	4,795	4,474	3,842
Bituminous coal (daily average, 1,000 tons).....	2,183	2,203	1,078	1,858	1,685

### TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	83	81	90	78	86
All other carloadings (daily average, 1,000 cars).....	57	57	45	51	52
Money in circulation (Wednesday series, millions).....	\$29,163	\$29,019	\$28,815	\$28,649	\$9,613
Department store sales (change from same week of preceding year).....	+26%	†+20%	+41%	+14%	+17%
Business failures (Dun & Bradstreet, number).....	38	27	24	7	228

### PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	378.3	†376.7	375.2	264.8	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	266.0	†264.7	257.9	169.7	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	309.0	†309.9	312.1	234.0	146.6
Finished steel composite (Steel, ton).....	\$64.91	\$64.91	\$64.45	\$58.27	\$56.73
Scrap steel composite (Iron Age, ton).....	\$31.17	†\$31.17	\$25.00	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	19,500¢	19,500¢	19,500¢	12,000¢	12,022¢
Wheat (Kansas City, bu.).....	#	\$2.11	\$2.12	\$1.70	\$0.99
Sugar (raw, delivered New York, lb.).....	5.57¢	5.57¢	5.57¢	3.75¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	33.29¢	†33.10¢	30.96¢	24.56¢	13.94¢
Wool tops (New York, lb.).....	\$1.602	†\$1.680	\$1.618	\$1.330	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	22.16¢

### FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	120.7	†122.7	116.0	137.5	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.16%	3.17%	3.19%	3.06%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.60%	2.61%	2.61%	2.59%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	1½-1½%	1½-1½%	1½-1½%	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1%	1%	1%	¾%	¾-¾%

### BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	#	41,010	40,135	37,556	23,876
Total loans and investments, reporting member banks.....	#	56,865	57,791	67,733	28,191
Commercial and agricultural loans, reporting member banks.....	#	10,351	10,143	7,268	6,296
Securities loans, reporting member banks.....	#	2,509	2,558	5,709	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	#	36,559	37,859	48,541	14,085
Other securities held, reporting member banks.....	#	3,412	3,384	3,363	3,710
Excess reserves, all member banks (Wednesday series).....	970	750	710	1,213	5,290
Total federal reserve credit outstanding (Wednesday series).....	24,877	24,328	24,416	25,172	2,265

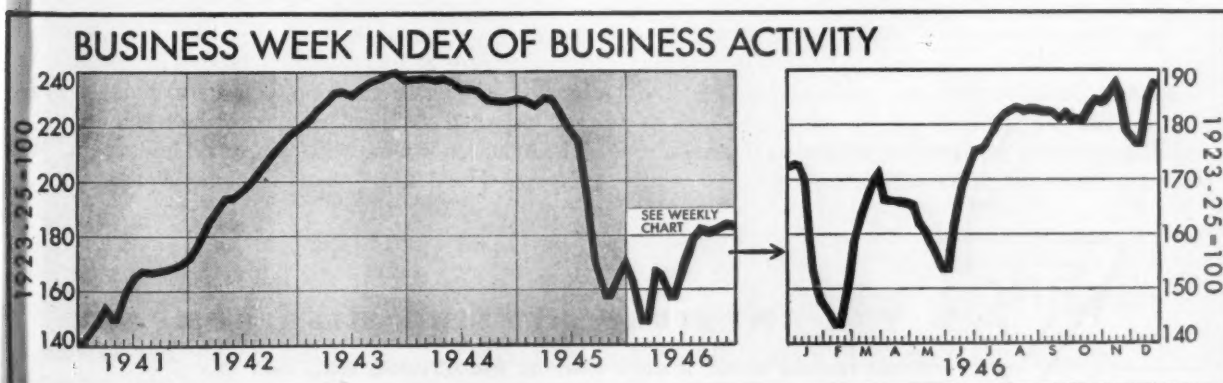
\* Preliminary, week ended December 28th.

† Revised

‡ Ceiling fixed by government.

§ Date for "Latest Week" on each series on request.

# Not available at press time.





## He whirls a white hot "rope" of stainless steel

That fiery rod of stainless steel — which the skilled Armco "catcher" is looping through the air like a lariat — could be the beginning of a thousand modern products. It might be for a handsome wrist-watch band, a fishing rod, golf club head, a gleaming wire shelf for a new refrigerator, or the popular new costume jewelry.

Stainless steel, you know, is the bright, strong, rustless metal that adds so much to the beauty and life of so many desirable products. And whether it is used in the form of wire for refrigerator shelving, bar stock for beautiful tableware, or as flat sheets for glistening kitchen sinks,

spotless cooking-ware, and swift streamlined trains, its appealing beauty lasts for years.

Armco produces more than 60 standard grades of stainless steel bar and wire, as well as many grades of sheets and strip — each developed to make more attractive and more economical products.

Pioneering research and quality control have made Armco the leader in the field of special-purpose steels. Today, as always, Armco research is looking ahead . . . searching for ways to produce new and improved steels for greater usefulness tomorrow. The American Rolling Mill Company, Middletown, Ohio Export: The Armco International Corporation.



### THE AMERICAN ROLLING MILL COMPANY

THE FAMILIAR ARMCO TRIANGLE IDENTIFIES SPECIAL-PURPOSE STEELS THAT HELP MANUFACTURERS MAKE MORE ATTRACTIVE, MORE USEFUL, LONGER-LASTING PRODUCTS.

## Watch the New Congressmen

Freshmen likely to defy tradition, make opinions felt in both Senate and House. Many well qualified to speak on important issues by experience as businessmen or state governors.

While watching the veteran headliners in the new Congress, business should not overlook its stake in the new men.

• **Precedent Slipping**—It used to be true that freshmen Congressmen were seldom seen and rarely heard. That piece of tradition however is being sloughed off gradually.

This year, especially, there are a number of freshmen who won't stay meek and mild very long. Their past experience—in politics, in business, or elsewhere—will often dwarf that of some of their seniors in congressional service.

• **Effect of Seniority**—Of course, the seniority system under which Congress operates will focus the spotlight most often on such veterans as Martin, Halleck, and Brown in the House and Taft, Vandenberg, and White in the Senate (page 5). And their control of committees and their floor leadership will make their positions firm.

But the veterans' control and leadership will not deter the newcomers from deciding how they themselves will vote. It will not restrict them from trying to convert others to their points of view, either in cloakroom conferences or in floor debate, nor from initiating legislation and pushing for its passage.

• **Governors and Businessmen**—After all, the group of ex-governors making Senate debuts this year can hardly be expected to waive their political experience and play follow-the-leader docilely. By the same token, a businessman turned legislator will not feel strange

or stay mute when bills of an economic nature are being considered.

Take **Ralph E. Flanders** of Vermont, for instance. When he was elected, the Committee for Economic Development got a man in the Senate. He was head of C.E.D.'s Research Committee. In that post, he had a mighty influence in shaping the economic policies of that body. He can easily carry that influence into the Senate chamber. As a liberal Republican businessman (president of Jones & Lamson and Bryant Chucking Grinder Co.), he knows what business wants and can rightfully expect from Congress.

Now look at **Raymond E. Baldwin**, three-time governor of Connecticut and a probable contender for the Republican nomination for President in 1948. Baldwin brings to the Senate an impressive record of state administration. He isn't the least bit reluctant to express his views on either domestic or foreign problems.

### New Republican Senators

Other G.O.P. freshmen senators include:

**Edward J. Thye**, former governor of Minnesota, who will be watched chiefly as a reflector of the views of Harold E. Stassen;

**Zales N. Ecton** of Montana, who knows politics by years of experience in his home state;

**Irving M. Ives** of New York, who as Thomas E. Dewey's man will attract considerable attention as a liberal and

### NEW YEAR PRICE DIP

There's news on the price front. The situation wants watching.

Farm products have dipped and foods are following. Department stores advertise the biggest clearance sales since before the war. This could be the beginning of the "adjustment" everyone is talking about.

But, before jumping at any such conclusion, it is well to look behind the headlines heralding price cuts.

Manufacturers' costs—both labor and raw materials—are still rising. This may outweigh weakness in farm and food prices for some time.

For full information, turn back to *The Outlook*, page 9.

as a probable ally of Aiken of Vermont;

**John W. Bricker**, ex-governor of Ohio, who will vie with Taft for position as Ohio's favorite son, and will join Byrd of Virginia in his economy drive;

**Edward Martin**, ex-governor of Pennsylvania with a national reputation as a good state administrator;

**Joseph R. McCarthy** of Wisconsin, whose fine service record as a Marine enabled him to defeat LaFollette in the primary.

### New Democratic Senators

Democrats also have a few new faces in the Senate. Most prominent are:

**John J. Sparkman** of Alabama, who knows Washington from years of experience in the House;

**Herbert R. O'Connor** of Maryland,



Raymond E. Baldwin

Edward Martin

Ralph Flanders

Joseph R. McCarthy

J. Howard McGrath

Typical Senate newcomers: Three ex-governors (Baldwin, Martin, McGrath), a businessman (Flanders), a war veteran.



who had a good record as governor and is a strong states' rights man;

**J. Howard McGrath** of Rhode Island, who had been governor three times and more lately served as federal Solicitor General;

**A. Willis Robertson** of Virginia, whose experience in the House, particularly on tax matters, makes him a seasoned legislator.

#### New House Members

It will not be so easy to gage the importance of newcomers in the House. But their records indicate that the following (all Republicans) merit special notice:

**John D. Lodge** of Connecticut, whose name alone commands attention (his brother, Henry Cabot, returns to the Senate, too);

**W. Kingsland Macy** of New York, who has an impressive background as a banker, broker, and state senator;

**Hugh D. Scott** of Pennsylvania, who technically is not a neophyte, having served two terms in Congress before losing out in the 1944 elections;

**Thurston Ballard Morton** of Kentucky, who heads Ballard & Ballard Milling Co. at Louisville and had long Navy experience;

**Herbert A. Meyer** of Kansas, who was vice-president of Prairie Oil Marketing Co. and owns a daily newspaper;

**Frederic R. Coudert, Jr.** of New York, from the richest district in the nation, who made an impressive record in the New York State Senate;

**Howard A. Coffin** of Michigan, whose business experience was gained with such firms as Firestone, Cadillac, and Socony Vacuum;

**Richard B. Vail** of Illinois who has manufacturing and War Labor Board experience;

**Abe McGregor Goff** of Idaho, who has been a chamber of commerce president, a state senator, and a law school lecturer.

## Russia Loses Out

Order for pipeline pipe, placed by UNRRA for delivery to Ukraine, can't be taken over by Soviet, court holds.

The Russian government was the principal loser under a decision handed down late last month in U. S. District Court of Western Texas. The decision followed the lines of a stipulation presented to the court by A. O. Smith Corp. and five other American companies whose interests were involved in the allotment of A. O. Smith's capacity for making pipeline pipe.

• **Suit Filed**—Two months ago, the El Paso Natural Gas Co. filed suit to prevent A. O. Smith from accepting any order from Russia or anyone else until El Paso's order for 764 mi. of pipe should be filed.

A. O. Smith Corp. promptly answered that it held no order from the Russian government. It asked the court to rule on whether Russia had a legal right to take over a canceled order—and the place of early priority on its order books—originally placed by the U. S. Treasury Dept. for 183 mi. of large-diameter pipe. This pipe had been ordered for the UNRRA, which had planned to deliver it to the Ukraine.

• **Interested Parties**—Five other companies soon intervened. All of them either had orders booked with A. O. Smith, or would be affected by the outcome of the suit.

The court approved a plan for allotting Smith's pipe production on a basis satisfactory to all of the participating companies. Russia was held to have no rights in the situation. However, the Russians can get pipe if they provide suitable steel to Smith, and if Smith has plant capacity available for the order.

So can any other purchaser. (The possibility of capacity being open in the times of over-capacity demand arises out of current uncertainties in the supply of steel that A. O. Smith can obtain.)

• **Order Cut**—El Paso Natural Gas Co.'s original order to A. O. Smith was scaled down from 764 mi. of pipe to 341 mi. The company is reported meanwhile to have contracted with a California pipe maker for 100 mi. It is expected to try to get the 323 mi. it still needs by supplying suitable steel to A. O. Smith.

The companies participating in the suit along with Smith and El Paso were Panhandle Eastern Pipeline Co., Kansas City & Chicago; Natural Gas Pipeline Co. of America, Chicago; Texoma Natural Gas Co., Amarillo, Tex., and Gray, Okla.; Chicago District Pipeline Co., Chicago; and the Texas Co., New York.

## Tin Can Output May Set New Record

In 1947 the tin can manufacturing industry has a good chance to surpass its previous production record set in 1941.

Can makers' prospects improved a little last week when the federal government modified its regulations on use of tinplate. They expect tin cans to be used again for many items which had to go into other containers in recent years because of the wartime tin shortage.

• **Drawbacks**—But there are two limiting factors on 1947 tin can production.

(1) The near certainty that tin imports will not balance demand until sometime in 1948, and

(2) The probable inability of the steel industry to supply as much tinplate as the can companies will want to buy. Tinplate production this year may be no greater than in 1946 if the steel industry is hampered by another succession of strikes.

Under the government's modified tinplate order, unrestricted use of tin cans is permitted to pack such "unessential" food items as coffee, shortening, pet foods, and beer. Until last week, tin containers could be used only in limited quantities for some of these, not at all for others. The government relaxation also allows unlimited use of tin cans for packing nonfood items such as polishes, paints, liquid soap, and roofing cement.

• **Tin Order Stays**—Still in effect is the government order which allocates pig and secondary tin metal, and restricts tin use in the manufacture of industrial tin-containing items. There has been no change in the amount of tin allocated for tinplate or terneplate. Metal experts do not believe this order will be abandoned until the over-all tin supply has returned to normal.



Hugh D. Scott

W. Kingsland Macy

John Davis Lodge

Cross-section of new political timber in the House: A repeater (Scott), a banker (Macy), and a movie actor-veteran with a No. 1 New England family name.

# Fight Over Cliffs

Attack on iron company's management threatens to involve all of Cleveland's close-knit ore and coal interests.

The midwestern iron and coal business, centering on the port of Cleveland, is a tight little fraternity. Four companies—M. A. Hanna Co., Oglebay-Norton Co., Pickands-Mather, and Cleveland-Cliffs Iron Co.—dominate the picture. All four are related by common interests, intermarriages, and business ties, some of which run back over the better part of 100 years.

This week, Cleveland's delicately balanced ore-and-coal cart was rocking perilously. One of the directors of the Cliffs Corp.—which owns all the common stock of Cleveland-Cliffs Iron Co.—has started a hammer-and-tongs fight to turn out the present management.

Both the Cleveland-Cliffs and Cliffs Corp. managements now are headed by William G. Mather, chairman, and Edward B. Greene, president. The Mathers are one of Cleveland's most powerful old families. They controlled Cleveland-Cliffs for years before Cliffs Corp. was formed.

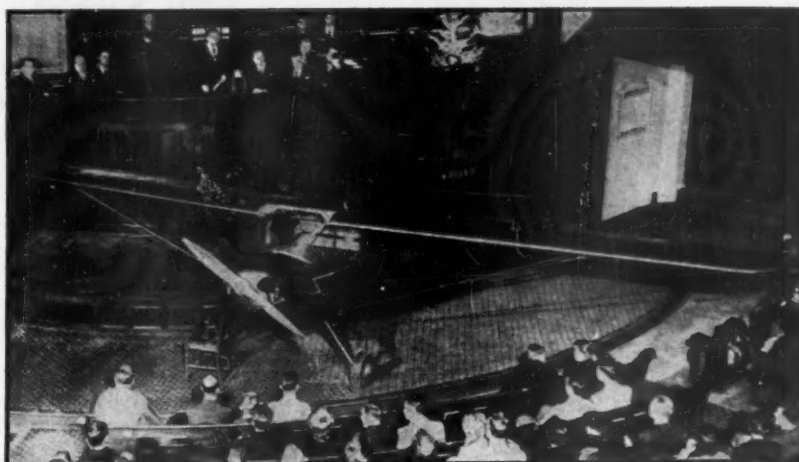
• **A Young Tie-Up**—The director so busily engaged in rocking the cart is Harold G. Cutwright, vice-president of Pittston Co., which owns about 4% of Cliffs Corp. stock. Pittston is controlled by Robert R. Young's Alleghany Corp. Young is a long-time friend of Cyrus Eaton, one of the founders and biggest stockholders of Cliffs Corp.

Young himself never has counted as a member of the Cleveland ore-and-coal fraternity, although he makes his headquarters in that city. Pittston is the holding company for his coal interests. Last summer there were rumors that it was eyeing the coal department of Cleveland-Cliffs' business. Nothing came of the idea then, but Clevelanders wonder if the latest move is a form of industrial gate-crashing.

• **Divided Interest?**—Cutwright's attack on Mather and Greene is two-pronged.

In the first place, he wants an independent accounting to explain why Cliffs Corp. has written down the value of its holdings of Cleveland-Cliffs common from approximately \$40 million to about \$2 million.

At the same time, he says he will bring legal action to cancel the Cleveland-Cliffs preferred stock now held by the Cliffs Corp. management. The substance of his charge is that Cliffs Corp. holds the preferred, and that the management therefore is trying to straddle a basic conflict of interest.



## WINGS FOR A HEAVENLY ASSIGNMENT

The private plane, a useful tool in many fields of endeavor, is gaining popularity in another—religion. As the congregation watched, a two-place Taylorcraft was assembled under the pulpit (above) of Minneapolis' First Baptist Church, dedicated as a means of spreading the Christian Youth Movement in northwest rural areas. It was purchased by Minneapolis Hospitality House, a youth center sponsored by the Christian Businessmen's Assn. The plane cost \$1,200, is equipped with loud speakers to announce youth meetings.

• **Background**—The story of Cliffs Corp. is long and intricate. It begins in 1929, when Cyrus Eaton formed an alliance with the Mathers after some spectacular operations in steel stocks that had set the industry on edge.

The machinery for cementing the alliance was Cliffs Corp., a new holding company. Cliffs Corp. took over Eaton's portfolio of assorted steel stocks (including hefty blocks of Republic, Youngstown, Inland, and Wheeling). In return he got 398,000 shares of Cliffs Corp. common.

At the same time, the Mathers fulfilled their share of the bargain by arranging for Cliffs Corp. to exchange its stock for all the 408,000 common shares outstanding in Cleveland-Cliffs on a share for share basis.

The Cleveland-Cliffs business was valued at \$90 million for purposes of the deal, but only \$40 million was needed to match Eaton's contribution to the kitty. Hence, just before the exchange, Cleveland-Cliffs declared a dividend of preferred stock. Each old holder of the common got 1½ shares of a new \$5 preferred (total value \$50-million if the \$90 million valuation for the company was correct). Cliffs Corp. then exchanged its stock for the Cleveland-Cliffs common, leaving the old stockholders the preferred.

• **Disputed Points**—This preferred issue is the target of minority holder Cutwright's belated but nonetheless vigorous challenge. As a senior issue, it comes ahead of the common in

sharing income. Whenever its dividends or sinking fund provisions are in default, it is entitled to vote share for share with the common.

At the end of 1945, there was \$27.16 a share in unpaid dividends backed up against the preferred. The sinking fund payments were in default by \$13,500,000. Hence, control of Cleveland-Cliffs could lie with the holders of the preferred rather than with Cliffs Corp.

With the preferred sunk so far in arrears, nobody knows what the Cleveland-Cliffs common is worth. In January, 1946, the Cliffs Corp. directors more or less arbitrarily decided to write it down to \$2,041,000 to comply with the Investment Company Act, which required them to set a fair value on it. This is the writeoff that Cutwright wants investigated in the light of the management's separate interest in Cleveland-Cliffs preferred.

• **Countermove**—Mather and Greene were caught off balance by Cutwright's first public blast; they came back fast. This week, the directors—Cutwright not voting—decided to recommend dissolution of Cliffs Corp. and pro rata distribution of the assets to the stockholders.

Cutwright says that he is "not unalterably opposed to dissolution." But he charges that doing it as the management proposes—without previously hammering out the Cleveland-Cliffs preferred question—would disperse the majority control and give the management a firm minority grip on Cleve-





## TOOTHLESS TURRET

Styled to kill, one of the war's most ingenious devices—the B-29 remote-control gun turret—has a peacetime job. It's becoming a featured attraction in amusement arcades where a thin dime buys 100 "rounds." But now the "flying lead" is a beam of light, the target a model plane embodying a photoelectric cell. A gong announces a hit. General Electric, which built many of the turret components, aided in the reconversion.

land-Cliffs through its holdings of preferred.

This sets the stage for a possible proxy fight, in which the management would have to get support from two-thirds of the corporation's 805,734 shares of outstanding common to put through the dissolution plan.

• **Which Way Eaton?**—All this turns the spotlight squarely on Cyrus Eaton, who holds enough Cliffs Corp. stock to swing the deciding vote either way. As a crony of Robert Young, Eaton might be expected to line up with Cutwright and the Pittston interests. As one of the founders of Cliffs, he might also have something to say about pro rata distribution of the securities he originally threw into the pot.

But siding with Cutwright would mean a head-on collision with the Mathers, and perhaps with other midwest tycoons. By and large, Eaton's alliance with the Mathers has been profitable. Cleveland-Cliffs, for instance, markets the ore from Eaton's Steep Rock project.

So far, Eaton has been absent from the scene. His office reports that he is on vacation in Canada. Clevelanders comment that just now Canada is an extremely convenient place to be.

## Sugar Still Short

But supply will be better than in 1946. Fight over size of increase in rations hinges on allocation of Cuban crop.

The argument over the nation's 1947 supply of sweetening grew increasingly bitter last week. Representative Thomas A. Jenkins, chairman of the Republican Congressional Food Study Committee, made public the group's preliminary report on sugar, which blamed Administration bungling for much of America's wartime scarcity of the commodity.

• **Bigger Rations Asked**—The report recommended a 1947 increase in household sugar rations of 10 lb. a person. It also suggested an increase for industrial users which would boost their quotas from 60% to 80% of 1941 consumption. These increases are just twice as big as those recently proposed by the Dept. of Agriculture.

A couple of days after release of the Jenkins report, Agriculture Secretary Clinton P. Anderson entered the fray. He made public a letter in which he castigated New York sugar brokers for urging decontrol and thus, he said, attempting to create a speculative interest in sugar.

• **Causes of the Pinch**—The continuation of the world sugar shortage stems from the fact that the sugar-growing areas which were destroyed or damaged during the war have not yet come back into full production. The main reasons for the world sugar defection are the great decline in European beet production, the complete loss of supplies from the Philippines and Java, and the loss of some additional Asiatic supplies.

The shortage in this country has been further accentuated by our own decline in beet production. This was due to government encouragement of

other crops deemed more necessary during the war, and the general scarcity of farm labor.

• **Cuba Is the Crux**—The current argument hinges about the disposal of the Cuban crop. The International Emergency Food Council, of which the U. S. is a member, is continuing to allocate much of Cuban sugar to Europe and Africa. Just as during the war, the U. S. contracts for the entire Cuban supply to avoid running the price up by competitive bidding, and then parcels out the quotas assigned by the council to other nations.

Many of those who are agitating for greatly increased rations or complete decontrol assert that there is more sugar available for Americans than the Administration is releasing. This would be true if more, or all, of the Cuban crop were allocated to the U. S. Also some of these people present more favorable estimates of Cuban and European production in the current crop year than the ones used by the Dept. of Agriculture.

• **Policy Considerations**—Diversion of Europe's quotas of Cuban sugar to U. S. users would almost certainly have an unfavorable effect on our foreign policy. Therefore it is unlikely that the Administration will permit such diversion as long as Agriculture's experts maintain that Europe is not yet ready to take up the slack.

Prospects for complete decontrol are even smaller. At the end of World War I, when there was a similar shortage, the price of sugar just before it was decontrolled in December, 1919, was 11¢ a lb. By July, 1920, it had been run up to 27¢. In January, 1922, when supply finally caught up with demand, it was down to 4.8¢.

## DOG RECORD PAYS OFF

Providing Los Angeles meter readers with dog biscuits did not greatly reduce dog bites, a vocational hazard. So, another idea was tried by the municipal water department. And it has given the best results, reducing injuries as did no efforts to get into the dog's good graces.

Each reader now enters in his book a note on each dog on the route, good or bad, with the dog's name. If the disposition is "bad," he jots down instructions to ring the bell and ask the dog's owner to stand by. Besides cutting down dog bites on routes covered regularly by the same reader, this makes routes interchangeable from that hazard angle.

Meter readers are still advised to cultivate dogs' friendship by the use of their names, and remaining calm, doing nothing to excite a suspicious dog. But the record, covering 100,000 dogs among 1,000,000 water and electricity customers, is regarded as the best preventive.

## World's Sweet Tooth

Data on comparative sugar consumption here and abroad were released last week by the Dept. of Agriculture. Figures are in pounds per capita; all 1946 statistics are estimates.

	1946	1939	% Decline
United States...	78.1 lb.	103.3 lb.	24.4%
Sweden .....	89.6*	101.6	11.8
Denmark .....	84.0*	122.3	31.3
United Kingdom .....	78.1	111.2	29.8
Czechoslovakia .....	63.7	65.0	2.0
Netherlands .....	53.1	64.6	17.8
France .....	39.6	57.5	31.1
Germany .....	16.8	56.4	70.2
U.S.S.R. ....	13.5	25.8	47.7
Poland .....	12.5	12.8	2.3
Spain .....	11.3	24.5	53.9
Italy .....	7.9	19.0	58.4

\* Received no Cuban sugar.



# Insurance Gains

**Underwriters set new-policy record in 1946, but decline in investment earnings may force premium rates up.**

U. S. life insurance companies, which just finished the biggest year in their history, are looking forward hopefully to more of the same in 1947.

• **Good to Best**—As any old hand knows, the life insurance business is highly sensitive to shifts in employment and individual incomes. All of the years since 1940 have been good—as far as new business is concerned. And 1946 was superlatively good.

During 1946 life underwriters put a record total of \$21,300,000,000 of new insurance into effect in the U. S. This was about half again as much as the new business done in 1945 (\$14,140,000,000). The previous top was about \$17-billion in 1929.

As usual, the biggest gains—both absolute and percentagewise—were in ordinary life coverage, which increased \$15,200,000,000. Group insurance picked up \$2,100,000,000. Industrial (policies under \$1,000, with premiums collected on a weekly or semimonthly basis) gained \$4 billion.

• **National Totals**—The 1946 growth brought total insurance in force in the U. S. to \$174 billion—an average of about \$4,500 a family. This breaks down into \$116 billion ordinary, \$28-billion group, and \$30 billion industrial. In addition, war veterans have kept up some \$38 billion of their National Service Life Insurance.

Life underwriters took in roughly \$6-billion in premiums during 1946. They paid out a total of \$2,800,000,000 in benefits—\$1,200,000,000 in death claims, the balance in payments to living policyholders (matured endowments, annuities, surrender values, dividends, and the like).

Total admitted assets of the life companies now add up to \$48,500,000,000. Of this, about \$42 billion is earmarked for reserves against the insurance in force.

• **Investment Problem**—The problem of investing a kitty that is rapidly approaching \$50 billion probably is the biggest single headache the life underwriters now have (BW—Dec. 21 '46, p. 70). The same forces that have blown up national income—thereby generating much of the increase in new insurance—have hammered down investment yields to the lowest point in history.

The lowered interest rate has worked two ways. With security prices rising, the big life companies have been able to pick up a nice profit on some of their

old high-rate bonds. They have received fancy premiums for their tax-exempt municipal securities. And in the general prosperity, they have recovered far more than they ever expected on many doubtful assets, especially real estate acquired in the early thirties.

• **Portfolio Contents**—During the war, the greater part of the funds realized from these shifts—as well as most of the new premiums—went into government securities. Holdings of governments continued to increase in 1946, rising about \$917 million in the year. But as a percentage of total assets, they have slipped down from 45.9% to 44.8%, the first decline in 15 years.

Here is how the investment portfolio of the life companies at the end of 1946 compared with 1940 (000,000 omitted):

	1940	1946
Govt. securities.....	\$ 5,857	\$21,500
Other stocks and bonds..	11,680	14,500
Mortgages .....	5,958	7,000
Real estate .....	2,060	750
Total .....	25,555	43,750

• **Readjustment**—The biggest investment the life companies made in 1946 went into corporate securities—\$1,618,000,000. Investments in public utilities went up \$633 million. Nonfarm mortgage holdings gained \$340 million.

Mortgages and top-grade corporates don't yield a great deal more than governments these days. And special profits, such as the premium on tax-exempt municipals, won't go on forever. If the present structure of interest rates is to

be more or less permanent, life underwriters will have to accept the unpleasant fact that their investments are not going to earn as much as the underwriters expected when they made their contracts with policyholders.

Some companies already have cut their assumed (or guaranteed) policyholder rate. The effect of assuming a lower rate is to accumulate bigger reserves against a policy of given face value. This means higher premiums on new business.

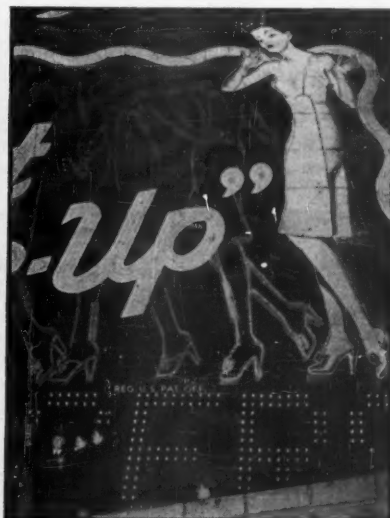
In participating policies (mutuals) the underwriter also can, in effect, raise the premium on outstanding contracts by cutting the dividend. In nonparticipating policies, the only way the underwriter can increase the reserve against old contracts is to take the money out of surplus.

• **Prospect**—If premiums take a general rise, insurance salesmen may run into more resistance over the next year or so, but underwriters don't think the effect on volume will be serious. They are more worried by the possibility of a dip in business activity and national income next year.

## CAPONS BY CHEMISTRY

Modern science is truly wonderful. On the farm, for instance—

Capons bring more money per pound than other chickens. But caponizing a rooster is a job poultrymen don't like. And mortality is high. Now Maxwell L. Cooley, chief chemist of the General



## MORE SPECTACULARS FOR BROADWAY'S SPECTACLE

Two new spectaculars are blazing on New York's Broadway—visual evidence that business is calling up its biggest competitive artillery. Canada Dry plugs its product with a 400-gal. drink in a 7-ft. highball glass (left)—a Douglas Leigh diorama. Just up the street is Youthform Lingerie Co.'s new giant (right). Designed by Artkraft Strauss Sign Corp., it is the maximum size safety regulations permit—75 ft. by 102 ft. It takes 18 mi. of neon tubing, 32 mi. of wiring to walk "Miss Youthform" from one end of the board to the other.

Mills plant at Rossford, Ohio, has come up with a way of accomplishing the same results without surgery.

He simply mixes into the feed a few doses of one of two synthetic female hormones—diansyl hexane, or dimethyl ether of diethyl stilbestrol. Lo and behold, the rooster's shrill crow turns into a weak falsetto. He loses his comb—and his strut. What's really important, his flesh takes on the succulence of true capon meat, and he grows to six to ten pounds.

There's just one catch. The Food & Drug Administration won't let the meat be shipped in interstate commerce. It says it's afraid the caponizing process won't stop with the rooster. Cooley says that's nonsense; that General Mills' male workers who have eaten the synthetic capons (they don't eat the liver, gizzard, or heart) are still plenty virile. But FDA wants proof. Until it gets it, General Mills probably won't put the special feed on the commercial market.

## CONTINENTAL SPEAKS UP

Employees of Continental Motors Corp. in Muskegon, Mich., did not receive their usual Christmas gift from management last week. Instead, a letter from C. J. Reese, Continental president, warned each employee that "over-all manufacturing efficiency . . . seriously below prewar levels" is threatening jobs.

Reese said that Continental has been operating at a loss and that "our labor is in a big measure responsible." He blamed "careless workmanship, absenteeism, and an 'I-don't-care' attitude" of many workers for the company's 1946 deficit.

Currently, said Reese, "it is costing us several dollars more to manufacture each engine than we are able to charge

our customers." Prices cannot be raised, he declared, without risking serious reductions in the volume of orders. One solution, subcontracting the production of parts, would mean an unwanted reduction of Continental's own work force.

Officials of C.I.O.'s United Auto Workers—representative of 5,000 Continental employees—declined immediate comment. Company-union relations in the past have been well above average.

## Spending Spree

With savings ratio almost down to prewar level, America last year spent more than ever before on goods and services.

American consumers dug a record \$127,000,000,000 out of their pockets to purchase goods and services during 1946. That's an increase of 20% over 1945 and 70% over 1941, the last previous peacetime year, according to Dept. of Commerce estimates.

Much of last year's rise was due to the boost in price levels. But when all allowances for price increases are made, the physical volume of consumer purchases was still an estimated 9% greater than in 1945 and 21% over 1941.

• **Freer Spending**—The whopping \$127,000,000,000 outlay has a highly significant angle for economists: Consumers are spending more and saving less than in wartime (BW—Nov.30'46,p15). In fact, last year consumers showed something like a return to prewar income-outgo ratios.

Business Week estimates that "disposable" income in 1946 was around \$138,000,000,000, and that about 90%

went into purchase of goods and services. That's approximately the same ratio as in 1940.

• **Nondurables Still High**—However, many of the war-induced distortions remained in the sales pattern last year. For instance, the proportion of nondurable goods sales to durable goods sales continued larger than before the war. Reason: Durable goods were still short; customers bought nondurables instead because they were available.

As a case in point, Commerce estimates that consumers would have bought \$4,000,000,000 more in automobiles and parts had they been available. As it was, actual sales of these articles did go up \$2,500,000,000 over 1945 totals. With the flow of hard goods continuing to increase in 1947, one of the most important marketing trends will be the wresting away of sales from nondurables by the revived durable goods lines.

• **Retail Breakdown**—Retail sales—almost all of which are reflected in consumer expenditures—amounted to \$96,000,000,000. This was an increase of 25% over 1945 and 75% over 1941. Of this total, nondurable expenditures accounted for \$77,000,000,000. Of this last figure, 80% went into sales of food, clothing, and alcoholic beverages.

## FOR SCIENTIFIC CLAMMING

With clam canning now under full steam, raised voices up and down the Atlantic Coast are telling what's wrong with clamming.

On the face of it, there's nothing wrong. Although clammers complain bitterly of a dearth of suitable hoes, the clam market is vigorous.

The Atlantic Coast, according to the U.S. Fish & Wild Life Service, produces about 30,000,000 lb. of clams a year (95% of the nation's total). Maine figured its clam yield last year at 25,000,000 lb., considers clamming a \$2,000,000 industry.

The big complaint is that the industry isn't half what it could be. Federal experts take that view, and Maine's Dept. of Sea & Shore Fisheries insists the state's clams could readily become a \$5,000,000-a-year business.

What the experts want is to convert clams from a wild crop into a farm crop. Scientifically seeded flats, it is argued, will (1) prevent depletion while increasing yield, (2) produce better clams, and (3) put the market on a permanently sound basis.

Restrictive local laws, in particular, are under fire. Many clam beds are reported deteriorating because town ordinances bar outside diggers even though the flats need working.

Significantly, individual clammers and seafood packers are now joining the cry for modern methods.

## CAR CARDS: TRUMPS THAT WON A HOME

One measure of the housing shortage is the variety of media used by desperate househunters to publicize their needs. For one determined veteran—and his wife and baby—the answer was car ads. Robert Hagberg paid a friend \$20 to letter the cards (above); for \$48 persuaded Mitchell, McCandless & Klaus, transportation advertisers, to place them in Cleveland's street cars and buses. It worked—but it took two weeks' riding before the first nibble





Long dominated by steel, Pittsburgh is taking steps to diversify its industrial life (page 22).

## Cities Take Inventory

Seeking ways to stabilize industry and improve living, U. S. towns are turning a critical eye on their municipal "plants." Civic groups organize to meet problems of economic growth and decay.

Competition for industry among U. S. cities is as old as the cities themselves. But the traditional competition of site against site, with local boosters shouting the lure of each, is yielding to something new. Today many municipalities are veering away from the simple arts of boosterism to plan their economic futures in accord with carefully studied needs and resources.

The trend is based upon a few hard facts. Some cities, especially smaller ones, must find replacements for industries lost through production shifts. Others have grown too big for their municipal skins and must build new facilities for the people who man the factories and for industry's public occasions. Still others need a broader economic base, so that lean times for a single industry will not bring hardship to a whole community.

Examples of municipal needs and of ways to meet them can be seen in some of the postwar plans of three representative communities.

### Ellwood City: Plants to Rent

Ellwood City, in Lawrence County, Pa., has a population of 12,500. When the town's principal manufacturing concern gave notice that it will move out within three years, Ellwood decided to bring in small, diversified replacements. Its chances of success are good because (1) it has a novel approach to a com-

mon problem, and (2) within two months, six companies have signed agreements to move to Ellwood.

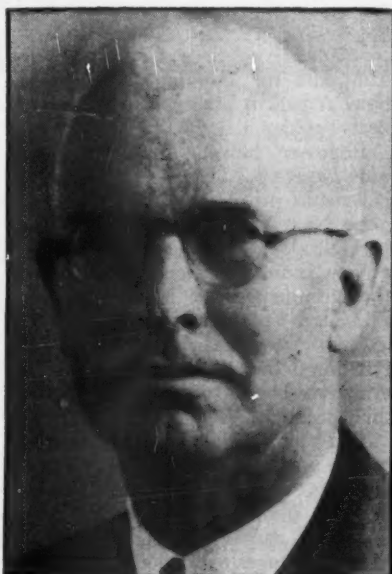
• **Company Assistance**—The National Tube Co., subsidiary of U. S. Steel Corp., is preparing to leave Ellwood City after several decades of manufacturing there. The company recently sent a letter to its 2,700 Ellwood employees explaining its move and repeat-

ing an offer to aid the community.

The company will transfer employees who wish to work in its other plants. To help those who cannot or will not move, it will try to sell its Ellwood City properties to incoming manufacturers.

• **Community Investment**—Meanwhile, the local chamber of commerce had sponsored organization of an Ellwood City Industrial Corp. John W. Offutt, a retired general superintendent of the National Tube works, sparked this drive to prevent industrial decay. Offutt is chairman of the chamber's industrial committee. Russell J. Schill, executive secretary of the chamber, is his lieutenant.

Offutt suggested that citizens of Ellwood City plough their earnings back



John W. Offutt (left), and his lieutenant, R. J. Schill, spearhead Ellwood City's campaign to recoup the loss of its chief industry—National Tube.





Detroit's city fathers have given the proposed \$55 million Civic Center (above) their blessing and work will begin in June. Of interest to industry are the four acres of exhibition space and the convention hall (left foreground).

into the town by purchasing shares of nonprofit stock in a \$250,000 industrial corporation at \$100 a share. At last count, 203 citizens had invested \$46,000. Supporters say the plan has barely got started.

The corporation will use its funds to buy land and to construct and renovate buildings. These facilities will be rented to industries that lack capital for such fixed assets. A ten-year lease amortization plan carries an option to buy.

• **First Results**—Schill, who spends much of his time talking with industrial prospects, says the following industries have come to Ellwood City: Dust Proof Mattress Cover Co., employing 100 women and 50 men; Standard Neon Lighting Co., employing 150 men; Ace Storm Window Co., employing 200 men and women; and Metal Heat Treating Co., 50 men.

A textile company and an induction heating company also have been signed up.

### Pittsburgh: New Life

Pittsburgh is mulling over the fifth, and final, instalment of a 700-page survey covering its industrial position and its future. The report has both good and bad things to say. But there is much about decay in the city.

This decay, the report emphasized, need not continue.

• **Action Expected**—Immediate feeling in business and civic circles was that the warning will be heeded. Previous studies along similar lines were disregarded.

The present diagnosis, made by the Econometric Institute, Inc., of New

York, has three sponsors: the Chamber of Commerce, Pittsburgh Civic-Business Council, and Allegheny Conference on Community Development.

• **An Accent on Living**—The elaborate report found that Pittsburgh has definite advantages in location of industry and in proximity of raw materials and markets. But the city is run down physically, the report said. Reason is that Pittsburgh developed as a place in which to work rather than to live.

The city's business and civic leaders, therefore, will stress better living conditions in their initial efforts toward industrial rejuvenation. The city is already laboring valiantly to eliminate smoke; an effort is being made now to make the city's antismoke legislation countywide. Pittsburgh has ambitious plans also for lessening traffic congestion. A park is proposed for the downtown "golden triangle."

Improved housing plans on a city-wide basis are still in a nebulous state. However, private interests, including some New York insurance companies, are well along on surveys.

• **New Industries Needed**—Because of the dominance of heavy industries, Pittsburgh economics are subject to violent fluctuations. The eleven-county Pittsburgh district concentrates 53.6% of its employment in iron and steel and their products.

The report says that Pittsburgh will remain a great center of steel and heavy industry. One of its paramount needs is new industries, particularly those which will employ women. In addition, the report urges expansion of consumer goods industries and wholesale trade and distribution.

Suggested industries for Pittsburgh:

textiles and apparel, more machinery, rubber and leather, chemicals, lumber and furniture.

• **Forecast**—If Pittsburgh is revitalized, the report predicts, total employment in the eleven counties will reach 991,100 by 1955. But if the effort toward elimination of the area's liabilities is not made, the forecast is for employment of only 851,600 (1945 employment was put at 894,300).

### Detroit: Two in One

Detroit is out to achieve two long-standing objectives—beautify its neglected waterfront and at the same time provide facilities for industrial exhibitions and the country's largest conventions (BW—Nov. 16 '46, p19).

Plans call for a \$55 million Civic Center in a 16-acre area on the Detroit River, just off the downtown section. The project includes a veterans' building, city-county office building, convention hall, civic auditorium, and exhibition halls, with state and federal buildings in the center.

• **Start on Financing**—Although city planners acknowledge it may take a generation to complete, the center is well beyond the dream stage. Construction of the veterans' building, to be named the World Wars Memorial Hall, is scheduled to begin by June, 1947. The city has appropriated \$2,000,000 to start the project, and has recently acquired a two-block site.

The city already owns two-thirds of the land for the proposed center, and City Controller Homer R. Marson has \$700,000 in city funds available for payment of condemnation awards, now under survey. Wayne County has appropriated an additional \$100,000 directly, and \$400,000 more contingent upon county budgetary economies.

Further financial arrangements show that state and federal buildings, to cost \$10,000,000, will be paid for by the using agencies. City and county rent costs of \$283,000 annually would go toward amortizing the expenditure for a \$20,000,000 county-city office building. Further funds would be obtained from sale of buildings now housing various departments.

• **Showcase**—Automobile companies in particular will benefit by the proposed center. Plans call for four acres of exhibition space. At present, the auto makers do not consider any Detroit building adequate for effective national introduction of new car models.

The needs of auto users also have been thought of in the plan. An 800-car underground garage will be constructed on the rim of the center. A 600-car unit will be provided under the city-county building, and a two-level, 400-car unit will be built back of the convention hall.

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**Look for this nameplate—wherever  
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ing part... and no bearings or flexible connectors to cause trouble. Their silver alloy contacts never require maintenance. And the white cabinet interiors reflect light and illuminate the starter in dark locations. Write for complete information. Allen-Bradley Co., 1332 S. Second St., Milwaukee 4, Wisconsin.

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## READERS REPORT:

### Carryback Distortion

Business Week's Report to Executives, "Corporate Profits—Postwar Pattern" (BW—Nov.30'46,p37), is misleading because it fails to separate the tax carrybacks from the earnings figures. . . . These comprise only one of several nonprofit and nonrecurring items that have crept into the 1946 figures of almost every company. Put together they absolutely falsify the earnings figures, as published per share, for the year. For their own good, corporations should have shown all such nonincome items separately from the true earnings.

F. C. Taylor

St. Louis, Mo.

• You are quite right in your assertion that, unless tax carryback credits are shown in the case of an individual company, one will receive a false impression of the current earnings of that company.

When the Business Week Report was prepared, it was hoped that some estimate by industries could be made on the possible total of tax carryback credits. As we dug more deeply, we found that the making of such an estimate was impossible.

Tax carryback credits were of considerable importance to a number of industries (and particularly to large companies in those industries) during the first six months of 1946 when strikes and reconversion problems held down production. However, as these industries swung into volume production, their profit position improved materially. We saw that, if this profit recovery were to be extended into the fourth quarter (as it has been), many of the tax carryback credits reported for the first six months would be substantially modified on the basis of earnings for the year as a whole. Thus, it was not possible to form a judgment as to their probable magnitude.

We also discovered that, while tax carrybacks are of importance in several large industries (and are of vital significance to a few large companies) they do not emerge as a principal factor in the earnings of most industries. It is not likely that the total of such credits finally granted by the U. S. Treasury for 1946 will exceed \$500 million to \$750 million. This is in the neighborhood of 3% of the aggregate of corporate profits before taxes as estimated for 1946.

You are correct in emphasizing that in those cases where tax carryback credits have been large, the investor must be on the lookout for them in order to judge the true profit position

of the company he is studying. In general, a number of the railroads, the automobile producers, the large electrical equipment firms (but not the small ones), aircraft firms, and some of the rail equipment producers are the principal recipients of tax carryback credits on the basis of their 1946 net earnings. The great mass of nondurable goods producers are not receiving such credits since their earnings are above the level that makes them eligible.

### Fluxing Process

Your article on the flame-cutting of stainless steel (BW—Nov.16'46,p64) was most interesting. There is one minor point: the article stated, "A fluxing process, first suggested ten years ago by Rustless Iron & Steel, does the trick." The process was invented by G. E. Linnert, welding engineer with Rustless Iron & Steel Corp., now the Rustless Iron & Steel Division of The American Rolling Mill Co., and was further developed by Air Reduction comparatively recently. Application for letters patent under which our company is exclusively licensed was made by Rustless within the past three or four years.

George V. Slottman

Manager, Technical Sales Div.,  
Air Reduction Sales Co.,  
New York, N. Y.

### Cooperatives and Taxes

In the Dec. 7, 1946, columns of "Readers Report" Ben C. McCabe, president of National Tax Equity Assn., takes too much for granted when he discusses tax exemptions which will apply to the Rutland Railroad Cooperative (BW—Nov.9'46,p19). As instigator and leading proponent of the Rutland plan, I request permission to clarify the issue he has raised.

For the benefit of the businessmen who read Business Week, this is our publicly stated position:

(1) The Rutland Railroad Transportation Cooperative will not attempt to utilize discriminatory freight rates. The regular rates, as established by the Interstate Commerce Commission, will prevail for cooperative members and nonmembers, alike.

(2) All shippers who may use the system will be recognized as patron members, and will receive the same treatment as the members of the farm cooperatives which will own and direct the management of the Rutland Railroad Cooperative. All will receive refunds in direct proportion to the amount of commerce which they ship



# How to become a comparatively contented executive -



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"Comparatively" is about as far as we can go. For every executive has headaches these days — markets, materials, production costs — and many others too painful to mention!

But the business man pictured here is comparatively happy. He has just solved one important problem by appointing Johnson & Higgins as his company's sole insurance advisers. They will survey, negotiate and service his entire insurance program. Integrated planning will take the place of costly piecemeal purchase. Contracts will be drawn to fit special needs. Trained technicians in every class of insurance will supply valuable services, including safety engineering and claim collection. And there will be no additional cost, as the broker's compensation is not an extra fee, but a brokerage paid by the insurance companies.

BUYERS OF INSURANCE FOR COMMERCE AND INDUSTRY SINCE 1845



The wide geographic spread of the Los Angeles appeal is indicated by a review of the home towns and states of companies moving to the Los Angeles area in recent months.

**They came from these cities:** Akron, Cincinnati, New York, Chicago, Muncie, St. Louis, San Francisco, Minneapolis, Dearborn, Schenectady, Detroit, Wheeling, Brooklyn, Greensburg, Scranton, Norristown, Trenton, New Castle.

**And from these states:** Ohio, Indiana, Missouri, Minnesota, Michigan, Illinois, West Virginia, Pennsylvania, New Jersey.

This is only a partial list. The significance is that wherever you are doing business now, Los Angeles has something special\* to offer as the logical site for your Western operations.

In fact, industry finds everything under the sun in Los Angeles, where mild climate permits year 'round production...on rigid schedules...and where more people prefer to live and work. Our brochure "F.O.B. Los Angeles" tells some of the reasons. Write for it, or for answers to any questions you may have about this area. No obligation.

#### \*FOR EXAMPLE

An expanding market—  
Population gain, 1940-  
1946, 301,000  
Sound industrial growth  
206 new plants announced  
first 9 months, 1946  
Decentralization  
10 widely separated industrial districts, including  
Los Angeles Harbor area

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Los Angeles



IN THE WEST



IN YOUR INDUSTRIAL FUTURE

B.W.

by the transportation cooperative. Our position will be that these funds are not taxable.

(3) Any part of the monies received as payment to the transportation cooperative for the carrying of goods which remain after the cost of operations and the amount necessary to cover depreciation will be recognized as a legitimate refund to be returned to patrons. If we retain any part of such refunds for the retiring of the transportation cooperative debt, or for the purchase of capital goods, we will recognize such funds as taxable under the federal income tax laws and voluntarily return the regular tax on them.

(4) The management of the Rutland Transportation Cooperative may decide to borrow from the patrons the amount of money due them from time to time as refunds. In that case, a certificate of indebtedness would be issued to the patrons and appropriate interest would be paid. Such loans would be utilized in paying off the cooperative debt and for purchasing new rolling stock necessary to extend services to the patrons. These certificates would be retired from monies recognized as earnings and after income taxes had been paid thereon.

In Mr. McCabe's statement about using government funds to purchase the railroad he is also assuming more than he is entitled to. The former cooperatives of this nation own their own credit associations of cooperative character which have ample funds to finance any undertaking which they decide should be initiated. However, should we decide to apply for a Reconstruction Finance Corp. loan, we will be doing only what has been done by a number of railroads. Any loan we obtained would have to be returned and we would have to pay interest on it like any corporate organization. Furthermore, we would liquidate the loan with funds remaining after payment of the federal income tax.

All other attempts to operate the Rutland Railroad efficiently and profitably have failed. Under the cooperative method of operation, we can guarantee a volume of freight which will make the system a profitable service to the patrons who will use it and who cannot afford to be without it. If there is any other practical management or method which can be used to continue the Rutland, not as a bankrupt institution but as an efficient transportation service, we will gladly abandon our efforts. We are offering our cooperative plan as an answer to the would-be authorities who call for government ownership of the railroads or abandonment of bankrupt roads. Evasion of income taxes is not our objective.

Lester P. Barlow  
Field Representative, Rutland Crisis  
Committee,  
Stamford, Conn.

# Yoloy passes the Acid Test...



**AFTER** nine years of the hardest kind of service, here is a garbage truck still in excellent condition. Its body is high-tensile steel.

Previously, New York City's garbage trucks were built with carbon steel bodies. Usually they had to be repaired every 6 to 12 months. To eliminate this condition high-tensile corrosion resisting steel was specified. These ran for years without repairs, and since then repairs have been minor--confined to replacement of bottom parts worn out by abrasion. There have been no failures due to corrosion.

Yoloy is Youngstown's nickel-copper low-alloy steel. Its corrosion-resistant characteristics are outstanding. It is also unusually tough and strong, with excellent welding properties. This makes Yoloy ideal for construction where it is important to reduce dead weight, and where long, trouble-free service, even under adverse conditions, is important.

Yoloy, Youngstown's high-tensile steel, is produced in plates, sheets, strip, bars, shapes, seamless and electric weld pipe.

**High-tensile truck  
bodies prove they  
can "take it"**

Acids, moisture and other corrosive matter have not seriously affected the high-tensile steel garbage truck body shown above.



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# MARKETING

## Frozen Food Enters Selling Era

If mass distribution is to be achieved, industry must solve warehousing, marketing problems. Some packers would cut, or eliminate, brokerage fees and use savings on advertising.

In all the enthusiastic publicity that has glamorized frozen foods in the past decade there was no story so amazing as the industry's own growth.

Its Jack-and-the-beanstalk development was accelerated greatly by high consumer incomes and wartime scarcities of competitive foods. They are important explanations of the fact that general public acceptance of frozen foods has been achieved while the industry has had only one major national advertiser and only a few regional advertisers.

• **Marketing Problem**—Now, however, evidence is piling up that the days of easy selling are over. Much of that evidence is in the form of huge stocks of frozen food in freezer storage warehouses throughout the country. Though warehousemen are a close-mouthed clan, reports leak out of prices softening (at wholesale) and of quality softening in foods that have been in storage too long. Current holdings are estimated at 860,000,000 lb., about 50% higher than stocks a year ago.

The long-range significance of this congestion is analyzed in a timely report in the January and February issues of *Food Industries*, a McGraw-Hill publication. The editors point out that the industry's production problems, as to both quality and quantity, are largely solved. As in any industry, research remains to be done. The No. 1 problem now is marketing—getting frozen foods to consumers at costs competitive with other foods of comparable quality. The problem is complicated by the necessity of keeping frozen food frozen at every stage of the journey.

• **Production Doubled**—Between 1942 and 1945 frozen food production in this country doubled. This rapid growth far outstripped the growth of freezer storage space, the construction of refrigerated transportation facilities, and the production of frozen food storage cabinets for retail stores.

As long as customers of all types (consumers, institutions, restaurants, and remanufacturers) took all the frozen food they could get, only temporary and regional storage crises occurred. But buying has slowed and packers, including new and overenthusiastic firms, have continued to expand output. This year

the congestion became a national problem.

• **Economies Possible**—The Food Industries report examines in detail some possible economies by which the industry may eventually be able to cut its distribution cost and thereby increase consumption.

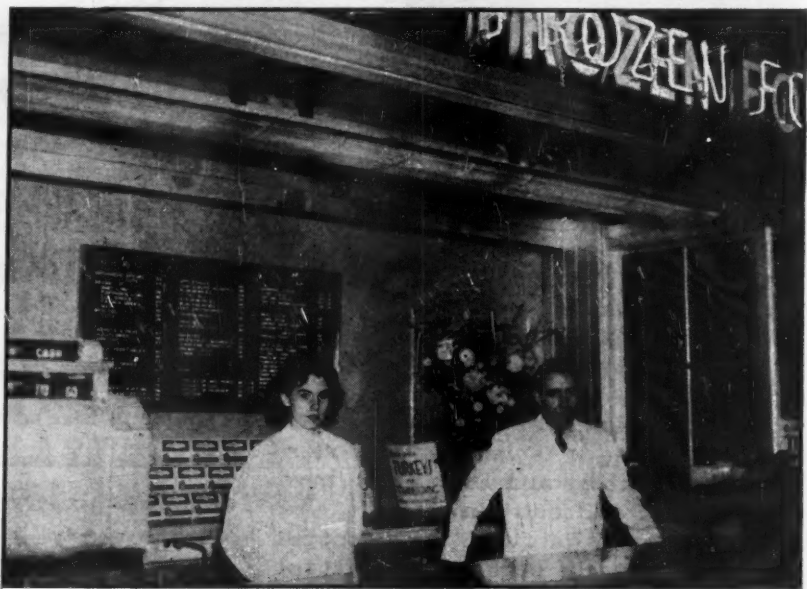
Warehouse construction by distributors heads the list. Much of the existing public refrigerated warehouse space was built before frozen foods were an important commodity (they now occupy about 30% of all refrigerated warehouse space). It was designed for handling carload lots, not for the day-to-day movement of smaller quantities of frozen foods destined for retail or institutional customers.

Many distributors believe that by building warehouses tailored to their

own operation, and locating them in key distribution areas, they can beat the rule-of-thumb that says every month in storage adds  $\frac{1}{4}$ ¢ to the cost of a pound of frozen food. They figure that savings on storage would pay for the warehouse in 10 to 20 years.

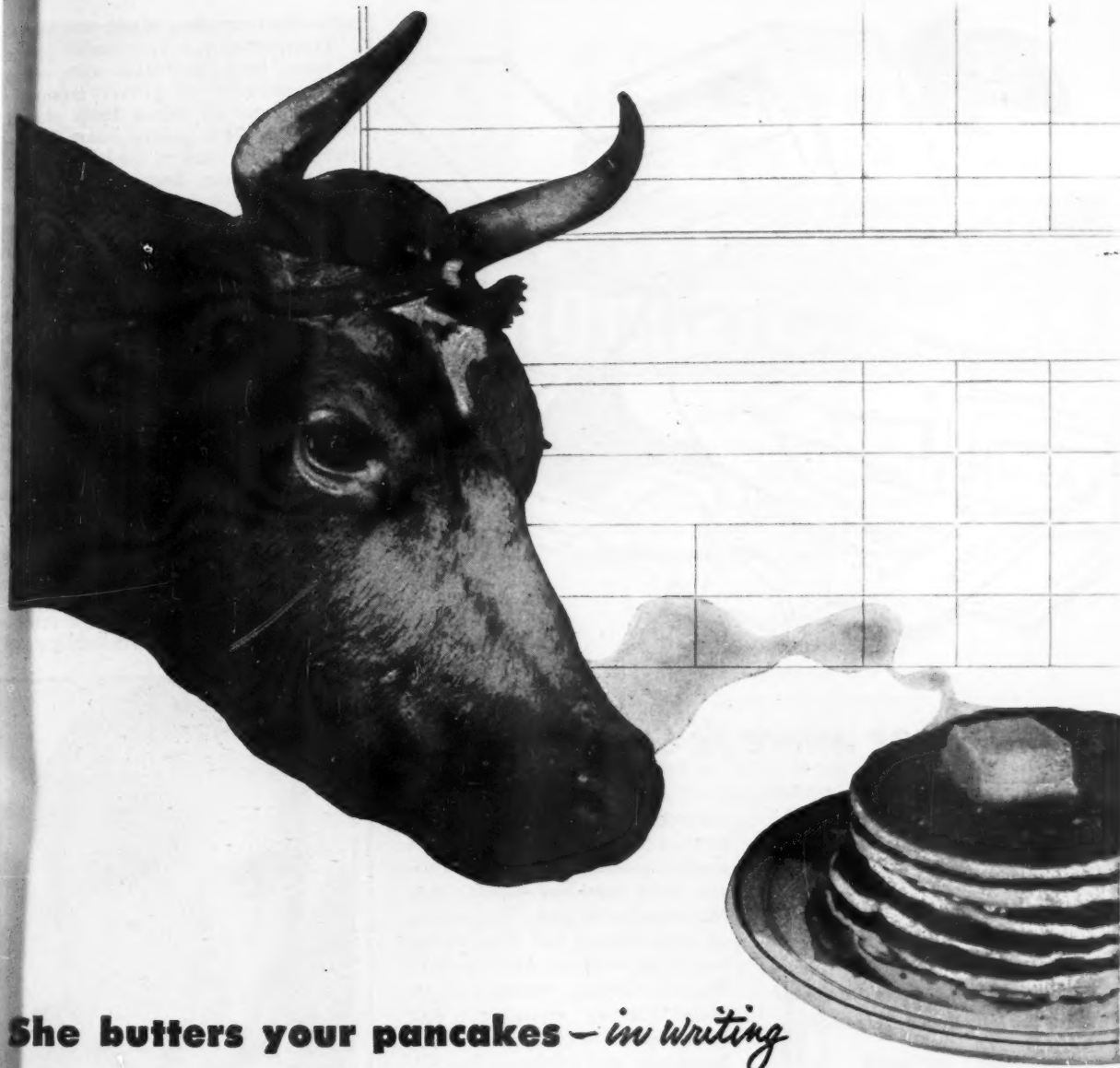
Wholesale markups will probably be pared as frozen foods reach significant volume. Some distributors think they can operate profitably on 13% to 20%, instead of the 27% markup allowed by OPA, whose rulings have governed the industry during much of its brief history. But retail markups are likely to remain at the OPA figure of 29%, even in chain stores and supermarkets. The reason is that frozen foods are still far from being high-volume merchandise, and retailers will have to pay off substantial investments in low-temperature cabinets.

Brokerage fees, which have been 4% to 5%, may be pared to 2%. As a matter of fact, some of the larger packers inclined to eliminate brokers' services altogether, preferring to establish their own sales organization. They figure that commissions they save can help defray advertising and sales costs. There is no evidence that selling directly to distributors is any more economical than selling through brokers, but some packers see an advantage in having salesmen concentrate on one brand, or a few brands,



### TERMINAL MARKET FOR SHOPPERS IN A HURRY

Boston's South Station travelers, estimated at 50,000,000 yearly, may now market on the run. Homeward-bound commuters just stop at the new frozen food concession (above), take their pick of over 100 varieties, and head for their trains. By the time they're home, the foods are just about defrosted, ready for use. Crack-of-dawn travelers can check off orders before the stand is open, pick them up at day's end. A 3-ton refrigerator adjacent to the terminal solves the shop's storage problem. The concession is owned by a retailer group headed by Ralph Lindsay of R. H. Lindsay Wool Co.



## She butters your pancakes — *in writing*

Friend cow, of course, doesn't write.

But a lot of writing is needed as the dairy industry brings you milk, cottage cheese, ice cream, butter for your pancakes. From dairy farmer to milkman, pencils carve a *written record* on production forms, delivery notices, bills of lading, invoices, collection reports and other *business forms*.

Moore Business Forms sharply cut the cost of these records, because they

are designed to eliminate all needless writing. To hundreds of clerical operations, in every type of business, Moore forms bring crisp speed, economy, protected accuracy.

Speed? One Moore form — with numerous uses for corporation and village market alike — can hasten the handwriting of records by 149%.

Economy? By use of correctly designed Moore Speediset forms, a small

creamery in California now saves the clerical time of three to four girls assigned to other work, with better control and far fewer errors!

To find out if your business, large or small, is ignoring fat savings, call Moore. Moore stands ready to supply you with everything from a simple sales book to the most intricate multiple-copy form . . . "to put it on the record, swiftly, accurately, economically."



### MOORE BUSINESS FORMS, INC.

FACTORIES IN NIAGARA FALLS, ELMIRA, N. Y.; MINNEAPOLIS, MINN.; DALLAS, TEX.; LOS ANGELES, EMERYVILLE, CALIF.  
SALES OFFICES IN OVER 200 CITIES FROM COAST TO COAST, ALSO IN PRINCIPAL CITIES ACROSS CANADA

ADOL. BY N. W. HYER



## "...and Digge where Ye Crosse is Made"

The contents of many an old-fashioned "filing" cabinet have much in common with Captain Kidd's buried treasure. It takes a map, a compass and a Philadelphia lawyer to find them. If you've decided to bring your office up to date, haul down the Jolly Roger and send for—

### ART METAL'S "MR. EXPEDITER, O.D."

This canny "Doctor of Offices" is a fellow who *knows* his stuff. He can

show you how a modern file, which protects valuable records, can be made to produce such records when you want 'em—but pronto! Ask Mr. Expediter to make suggestions on streamlining and simplifying your office problems. Ask him about Wabash indexing systems and Art Metal "finding" equipment. Ask for a copy of his helpful "Office Standards and Planning Book". No obligation; no charge. Simply call your local Art Metal dealer or write Art Metal Construction Co., Jamestown, N. Y.

Makers of

ART METAL STEEL OFFICE EQUIPMENT POSTINDEX VISIBLE INDEX RECORDS

\*WABASH FILING SUPPLIES

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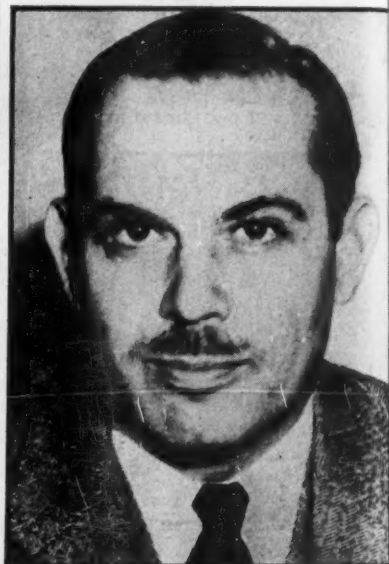


SYSTEMATIZED EQUIPMENT AND RECORDS FOR BUSINESS

rather than spreading efforts over many. Transportation, a very sizable factor in frozen food distribution costs, offers little possibility of further economy. Freight rates on frozen foods shared the recent 17½% general boost (BW—Dec. 14'46, p19) and in the long run are unlikely to drop, because of packers' demands for better refrigerator cars (BW—Feb. 2'46, p30). Transportation by refrigerated truck and steamship so far has proved equally expensive.

Direct sales by packers to mass merchandisers like the corporate chains and independent retail organizations are a necessity eventually, if the frozen food industry is to achieve mass production. So far chains have merely dabbled in frozen foods, partly because of their much greater interest in fresh produce (BW—Aug. 24'46, p57). Chains, of course, would effect distribution economies of their own. It is estimated that by buying direct, doing their own transporting, storing, and delivering, chains could distribute to their own retail outlets at a 12% to 13% markup.

• **Aid in Market Analysis**—These economies, real and potential, are only part of



### ADDITION

A new research and advertising man takes a seat on the board of directors of the Advertising Research Foundation with the election of Arthur H. Boylan, vice-president of the Drackett Co., Cincinnati. Boylan, with Drackett 20 years, heads his company's advertising and market research divisions. The foundation is advertising's three-ply organization (advertisers, agencies, media) for conducting readership studies of newspapers, car cards, and farm papers.



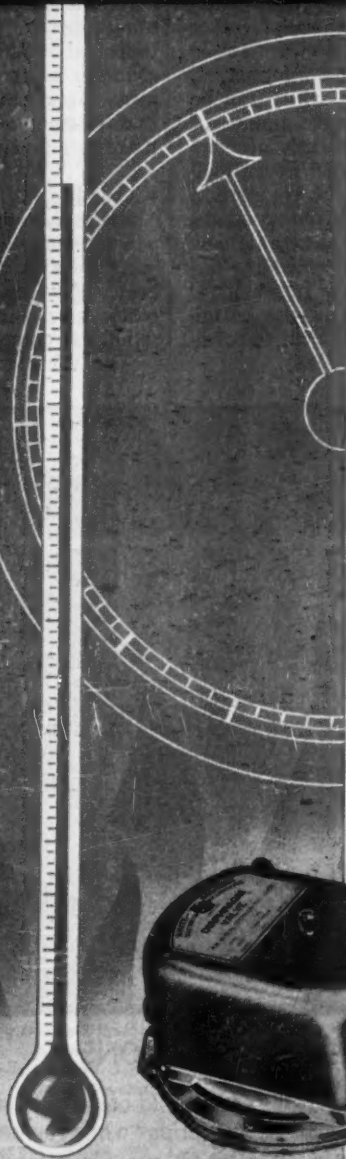
IF YOUR PRODUCT DEPENDS  
ON TEMPERATURE OR  
PRESSURE CONTROL...

MAKE IT SELL BETTER WITH  
**WHITE-RODGERS** *Controls*

No product that depends on automatic control can be any better than the controls with which it is equipped. That is why so many leading manufacturers of heating, air-conditioning and refrigerating equipment have standardized on White-Rodgers Controls.

Absolute dependability  
Wide adaptability  
Fewer "special" controls  
Reduce service costs  
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These advantages and more are yours when you standardize on White-Rodgers automatic controls. They help you step ahead of your competition with better products.



**WHITE-RODGERS ELECTRIC CO.**

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*Controls for Refrigeration • Heating • Air Conditioning*

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**Treasures**  
of all time

**HARWOOD'S**  
Blended  
**CANADIAN WHISKY**  
Sole UNITED STATES Importers  
R. C. WILLIAMS & CO. Inc. NEW YORK, N. Y.

the answer to the frozen food packer's distribution problem. Equally important are finding new markets and evaluating old markets in relation to local refrigerated warehouse space available, potential consumption of frozen food, and availability of distributors.

To help packers in this market analysis the Food Industries report includes two maps, one showing frozen food distribution facilities in the United States, the other showing frozen food markets. Data printed on the back of these maps, covering 137 metropolitan marketing areas, include: the amount and kind of refrigerated warehouse space in each area, the presence or absence of distributors, population, annual retail food sales, and the number of locker plants.

• **Comparative Data**—This information, plus supplementary data which can be obtained locally, such as the number of brands now sold in the area, is intended to help determine potential frozen food sales in a new market by comparison with similar data for old markets. Locker plants are included because they are a potential means of extending distribution of commercially frozen foods to rural areas. They could also be important in disposing of the current oversupply of certain frozen foods.

## New Lake Cargo

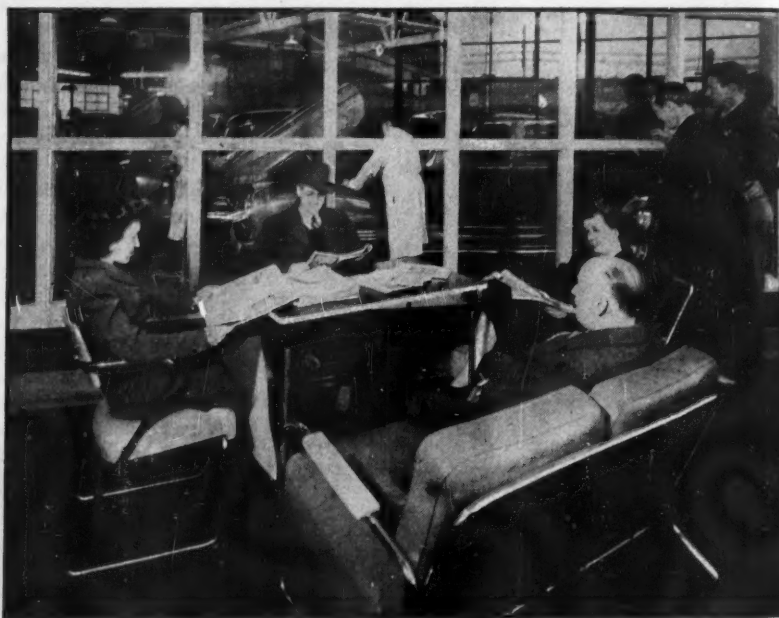
Molasses shippers may divert traffic from rails to Great Lakes as result of oil tanker test run with sugar byproduct

Great Lakes tankers may capture some of the railroads' molasses shipping business when navigation resumes in the spring. This was foreshadowed just before the lake season closed last month.

The L. S. Wescoat, lake tanker, carried a trial cargo of the sugar byproduct from Superior, Wis., to Buffalo for Industrial Molasses Sales Co., one of the country's largest distributors. The company was so satisfied with the test that it announced it would use lake tankers as much as possible from now on.

• **The Shippers' Comparison**—Industrial Molasses Sales and other molasses shippers ordinarily use railroad tank cars to bring their product eastward from the beet sugar regions. Eying the Wescoat's run, company officials made a significant comparison:

The Wescoat's cargo, enough to



### DESIGNED FOR PLEASANT RELATIONS

In these days of too few new cars, the old ones come in for considerable overhauling. To keep customers happy during "while-you-wait" repair jobs, O'Donnell Hudson Motor Sales Co., Chicago, provides a comfortable visitors' lounge (above). Here car owners read, lounge, or watch operations on their cars through a glass partition. For the workmen, air in the repair shop is kept fresh through floor outlets connected by hose to engine exhausts. Compressed air, water, and electricity connections every 10 ft. speed up operations. And for odd moments, there's a large locker-shower room—with an electric grill for coffee

# Electronic BOTTLENECK-BREAKERS

to **SPEED** your production

## Make Moving Webs Run True



When a moving web must be guided through a manufacturing process, it is usually important to keep the lateral position of the strip in a given relation to the processing machine. If lateral position is not maintained, waste mounts, production decreases and costs soar. G-E side-register control automatically keeps the web in correct lateral position. This device is ideally suited for application on slitting, rewinding and side-trimming machines. Bulletin GEA-4410.

## PROPER CUT-OFF IS

### ESSENTIAL IN PACKAGING



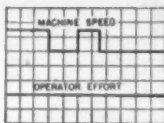
oor cut-off register on imprinted wrappers packages can spoil the appearance of your product and destroy its sales appeal. Constant balance by the packaging-machine operator reduce, but never prevent, misregister. Electronic register control prevents misregister, no rejects occur. G-E cut-off register control automatically compensates for draw-roll slippage, web stretch and shrinkage, and web variations in relation to the cutter. Check Bulletin GEA-4371 for full details.

## time processes rapidly, accurately, automatically

You'll find many tasks that these small, sturdy, dependable electronic timers can take over and thus release employees from tedious jobs. Five forms cover easily adjusted timing ranges from 0.045 second to 2 minutes. Hundreds are in use on mixing machines, grinders, conveyors, sign flashers, riveters. Several timers can be combined to cover a sequence of operations. Electronic timers are easy to install and economical to operate. Only one moving part—means long life and low service cost. Bulletin GEA-2902.

## CHANGE MACHINE SPEEDS INSTANTLY, EASILY—WITH THY-MO-TROL\* DRIVE

It's as easy and quick as adjusting the volume control on your radio. And once the machine is set for correct speed it stays there, even while going from no load to full load, because the electronic circuits compensate for fluctuating loads. Result: maintained production and improved quality of output despite load changes. Thy-mo-trol drive includes electronic panel, d-c motor, transformer, and small control station. Operates on a-c power. Standard sizes from 1/8 to 25 hp. Many uses, such as driving drill presses, grinders, lathes, conveyors. Bulletin GEA-4025.



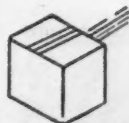
\*G.E.'s trademark for motor control using electronic tubes.

## Cut assembly time on small parts



Thyatron control for low-capacity, bench-or-tong, spot welders will speed small-parts fabrication such as welding solid or stranded conductors to terminals, or welding electronic tube elements. These alert, accurate controls have recorded a two-to-one advantage over soldering and riveting. Rejects drop to a new low because of the accuracy and split-cycle response of these controls. They are designed for either 230- or 460-volt, 60-cycle operation, and are rated 77 amperes peak on a duty cycle not exceeding 10 per cent. 50-cycle equipment is also available. Check Bulletin GEA-4175A.

## LIGHT on your counting and sorting problems



light touches the objects. Reliable, inexpensive, easy to maintain. Standard forms are available for indoor and outdoor use. Bulletins GEA-1755 and GEA-3533.

● Photoelectric relays can take over the tiresome jobs of counting parts or assemblies; sorting by size, quality, or type; controlling or limiting processes or operations. Can be used to count or inspect freshly painted or delicate parts, because only a beam of

IT'S easier to "keep everything under control" when you turn over many of the routine, mechanical jobs to reliable, economical, electronic control equipment. New operators can be trained more quickly, experienced workmen can be released for supervisory or other more important jobs. Often the addition of electronic control makes equipment more productive and helps prevent waste of materials. Production is not only simplified, but it is speeded as well, and costs are reduced.

Our engineers have a wide experience in designing and adapting electronic equipment. They may be able to make valuable suggestions on how electronic control can improve your operations. All you need do is call our nearest office, and we'll work with you from then on.



This new full-color sound movie will give you and your personnel a broader understanding of the principles and applications of resistance welding. Skillful use of animated drawings and clear close-up shots of the welding processes make this 30-minute movie interesting and easy to understand by all who view it. This film, part of G.E.'s MORE POWER TO AMERICA program, is available for loan without charge from G-E offices throughout the country. Ask your G.E. representative to obtain it for you.

General Electric Company, Section C485-24  
Schenectady 5, New York

Please send me the bulletin(s) checked below:

- ☐ GEA-4410 (Side-register control)
- ☐ GEA-4371 (Cut-off register control)
- ☐ GEA-1755 } (Photoelectric relays)
- ☐ GEA-3533 }
- ☐ GEA-4025 (Electronic motor control—Thy-mo-trol)
- ☐ GEA-4175A (Thyatron welding controls)
- ☐ GEA-2902 (Electronic timers)

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**GENERAL ELECTRIC**





*"Slice me off a Layer of Atoms... cheap!"*

Sorry, but we haven't all the know-how to do it yet. The best we can do now is to mass produce parts with tolerances to "quarter-tenths" and with surface finishes to "millionths". We'll keep it in mind, however, because we are always intrigued with so-called "impossible" problems.

Thus far, such problems have been solved by our "Mass Precision" method — a method perfected by Nichols for mass producing parts and assemblies to the most precise dimensions, on a strictly interchangeable basis. Such parts are low in cost — so low, in fact, that you will doubtless find "Mass Precision" cheaper than less accurate means.

Someday Nichols may be able to fill an order to slice off a layer of atoms — in the meantime you should investigate the present quality of Nichols' parts and assemblies. Write for the new booklet "Mass Precision". It shows what Nichols has done for others — suggests what can be done for you.

W. H. NICHOLS COMPANY, 48 Woerd Ave., Waltham 54, Massachusetts



"Accurate" *Nichols*

PRECISION ENGINEERING AND MANUFACTURING FACILITIES FOR MASS PRODUCTION

about 80 rail tankers, went from New York to port in three and a half days. It was unloaded in 24 hours without steam. The molasses, taken aboard at 100 degrees, had lost only 5 degrees in transit.

Rail tankers usually take ten, sometimes 15, days for the same trip. Loading 80 rail cars normally would take six days. And cold-weather rail shipments must first be steamed to break the molasses to a flowing liquid.

The present shortage of rail tankers also helps tip the scales in favor of lake carriers.

• **Canal Route**—Molasses is a favored cargo in New York's Barge Canal tankers. Industrial Molasses Sales operates a transshipment depot on the Niagara River at Buffalo. Railroad tankers bring in beet molasses from the Minnesota and other western beet farm areas. The molasses then moves eastward by Barge Canal and Barge Canal to yeast plant chemical companies, other customers.

West Indies molasses, a sugar byproduct, also moves on the Barge Canal in transshipment from New York to Buffalo.

• **Two-Way Flow?**—Construction of lake tankers specially designed to carry molasses probably must await development of east-west as well as westward traffic. Westbound Gulf of Mexico West Indies molasses, for stock feed and other uses, could provide the turn cargo.

Traditionally, most molasses from the Gulf areas—and from the East Indies—goes to Pacific Coast ports for shipment eastward.

## SALES OF LP-GAS RISE

Freed from many wartime shackles on output and sales, the liquefied petroleum gas (bottle gas) industry made other gigantic strides in 1946.

Total sales were about 1,425,000,000 gal., 33.5% greater than in 1945, the previous record year, according to estimates by C. G. Oberfell, vice-president in charge of research and development and R. W. Thomas, manager of research and development, Phillips Petroleum Co.

Domestic sales in 1946 approximated 763,000,000 gal., up 43.1% from 1945; gas manufacture, 80,000,000 gal., up 48.6%; chemical manufacture, 32,000,000 gal., up 44.8%; and industrial and miscellaneous, 257,000,000 gal., up 0.2%.

## CANNED BREAD TESTED

The baking industry will find useful pointers on the marketability of bread baked in the can in the current trial. Army quartermasters are giving canned bread.

Quartermasters first baked canned bread during the war but didn't try it



### BOOK STALL: 1947 MODEL

Vending machines have even gone literary. Under test by Pocket Books, Inc., a model that dispenses books (above) has been installed at a Manhattan subway entrance. The book concern figures that 50,000 likely spots might be found if the pilot model works smoothly. Made by Dadson Enterprises, Inc., 420 Madison Ave., New York, the device holds 96 books, passes them out at a quarter a throw. Mounted on a drum, the books are flipped past a "viewing" window to permit the customer to choose. Dadson reports that its device could also be used to sell records.

the field. Now it has been tested in mountain maneuvers in Colorado, will get an Arctic tryout this winter in Alaska. The quartermasters hope to try it later in the European theater. Canned bread takes extra shipping space, but it would erase the need for mobile bakeries.

The cans are treated with an inside coat of enamel that stands up under oven heat without flavoring the bread. The cans are vacuum-sealed on leaving the ovens. Quartermasters say that the bread holds freshness and flavor for a long time.

The tests include bread baked in 4-oz. tins for E rations and in a 104-oz. size for the new "5 in 1" ration—a new form of the wartime 10 in 1. The Army expects in the end to pack the bread for all ready-to-eat rations except the garrison-type A ration.

For bakers, the new product would open the door to increased trade among campers and rural families unable to make ready trips to the store.



## When the boss of the payroll dept. got kissed!

It was just a week after he had a Todd Payroll System installed. Now his secretary was getting home on time and everything in the office was running smoother because the Todd Payroll System had eliminated **MORE THAN FIFTY PERCENT OF THE TIME SPENT IN PAYROLL PREPARATION!** No wonder she kissed him.

Todd Payroll Systems not only save payroll preparation time—they also keep all the facts for Government Agencies on hand and ready for immediate inspection. With a Todd Payroll System any clerk can prepare the statement of earnings,

the payroll sheet, and the individual earnings record **ALL AT ONCE!** Why not see if a Todd System would help you? Just mail us the coupon and we'll send you complete information. No obligation, of course.

#### CUSTOMER'S COMMENT:

"Since installing your payroll system we have been able substantially to reduce man-hours in our payroll operations and have completely eliminated overtime. We are sincere in recommending a thorough investigation of your payroll system to anyone confronted with present-day payroll difficulties."

*American Zinc Company of Illinois,  
East St. Louis, Illinois.*



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B-W-1-4-67



# THERE'S A *Four Letter*

**AMERICA** has the highest standard of living in the world . . . but something is happening to it. There is talk of a recession . . . even a depression. We at Ceko *do not believe a depression has to come* in the building industry.

We know nothing about nylons, break-fast foods, or radios. But thirty-five years in the construction industry have taught us something about building and its problems. We believe the construction industry can and should lead the way back to an even higher standard of living.

We admit the complexities of today's situation. But we feel that these complexities can be circumvented. So why *think* a depression? Why not do in peace as we did in war—expect prosperity—plan prosperity—work for prosperity?

Let's look at the facts a minute. Today our needs for *everything* are the greatest in our history. There is accumulated purchasing power to keep industry humming for years to satisfy those needs—particularly the building industry. Then what is the fly in the ointment—why the fear that we are headed for collapse?

We at Ceko believe it's something the economists haven't analysed. We believe that prosperity depends on a different kind of straight thinking—on whether we, as individual Americans, are willing to **WORK** to make prosperity **WORK**. It's as simple as that.

It won't be easy. We said "work!" and we mean "work!" We of management must really work at managing. We must junk the too-frequent "wait it out" idea.

And labor must work—produce more instead of less—reduce overall costs per unit—justify high wages. Wages must not spiral

after prices and prices after wages. Labor and management *both* must have something left after they've made their investment of time and capital.

It can be done if we're intelligent enough, willing enough, fair and square enough.

Of course, we can't do it overnight. We can't provide a new home or plant for everyone who wants one next week, or next month, or even next year. But we can start—and keep on . . . and once the ball is rolling the results can astound even ourselves. When Roosevelt announced our production goals for the first year of the war, the world laughed. It was a different story when we exceeded them. Then, we were unprepared. Today, we have everything to work with if we're permitted to use it—and will use it.

Sure, during the war, costs were a secondary consideration. But today, in a freer economy, the same will-to-work can drive down costs and prices, and drive up the production which labor needs to stay prosperous.

We eased up after the shooting stopped—all of us. That's understandable. We needed to. But we've had our breathing spell. Now let's face the fact that there is no magic road to prosperity—that we cannot get something for nothing indefinitely. Always, eternally and inevitably, we of management and labor are going to have to **WORK** for prosperity.

Here at Ceko we have faith—faith that horse sense is finally taking hold. The productivity of labor is increasing. Absenteeism and turnover are decreasing. Output per man hour is on the upgrade. Controls are no longer the bug-a-boo they were. Many critical material shortages are leveling off. Some cities have modernized their building codes, and a general revision is in progress.





# *Word* **FOR IT!**

In the past year "unfavorable factors" plagued us and at times we were not pleased with the service we gave. Shortages of steel and manpower, coupled with many delays, held down our production levels. We are apologetic to all of our good customers, who for the most part have been understanding and tolerant.

Yet as we look back over 1946 we're really surprised to see how much we did accomplish. We performed the following things in preparation for greater prosperity:

1. We doubled manufacturing capacity in our Plant No. 1. Also, expansion plans went forward in our 14 other plants and warehouses coast to coast.
2. We facilitated management operations by centering our general offices at Plant No. 1.
3. Company-wide, we increased our plant and erection organization by 40 per cent, our office personnel by 30 per cent.
4. With additions to our research facilities and personnel, we developed 16 new major products. More than 100 others still are under study. War experience is reflected in expanded use of diversified metals.
5. We—management and labor—increased production. Shipments of several principal lines, including screens and windows, were and now are greater than ever before.

6. We—management and labor—reduced absenteeism in our plants by 50 per cent.
  7. We consistently modernized our equipment and machinery for maximum production.
  8. We improved our agent-dealer structure and our service to agents-dealers.
- What we did, many others did. In the days ahead we all can do even better.

Just a few fundamental virtues are necessary. Hard work, intelligence, and sympathetic understanding of labor's problems upon the part of management. Hard work—ever-increasing production—understanding of management's problems upon the part of labor.

We can say that here at Ceco we have the finest working conditions, the finest safety record, and the greatest opportunity in the history of our company.

We believe that *production* will maintain these high standards and even better them.

... production that justifies high wages.

... production sufficiently great for the costs involved, to make the selling price within the reach of the widest possible markets.

America has never yet admitted defeat. Why start now? High living standards can be cushioned against depression. Let's all quit *doodling* and get to *doing*. Yes, there's a four letter word for it—*W-O-R-K*.

**CECO  
STEEL**

PARTIAL LIST OF CECO PRODUCTS • METAL WINDOWS AND DOORS • METAL FRAME SCREENS • STEEL JOISTS AND ROOF DECK • METAL LATH AND ACCESSORIES • MEYER STEELFORMS • CONCRETE REINFORCING BARS • WELDED STEEL FABRIC • HIGHWAY PRODUCTS • CORRUGATED ROOFING • LOUVRE VENTILATORS

**CECO STEEL PRODUCTS CORPORATION**

GENERAL OFFICES: 5701 West 26th Street, Chicago 50, Illinois

Offices, warehouses and fabricating plants in principal cities



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# PRODUCTION

## For Safer Blind Flying

International conference proposes worldwide agreement on navigation and landing aids. Development, production problems posed in some fields by standards not met by existing devices.

Safety of international commercial air travel has taken a long step forward with international agreement on three major systems of radio navigation aids. At the recent Montreal meeting of the Provisional International Civil Aviation Organization (PICAO), delegates from 29 of the 46 member nations made specific suggestions for worldwide navigation systems. A provisional time schedule was set up for their introduction at international airports.

If adopted by the PICAO council, these recommendations will become mandatory. A good start will have been made toward solving problems of language and navigation which have always faced a pilot seeking a foreign airport through overcast. The problems still ahead will be those of production and standardization of equipment.

• **Long-Range Navigation**—For instance, PICAO has recommended a long-range system with 95% accuracy of location out to 500 miles, and accuracy within ten miles up to 2,000 miles, 24 hours a day. No existing system meets these requirements.

Until one is developed, delegates decided upon low-frequency Loran (L-F Loran) as the best interim bet to cover gaps left by such existing long-flight navigation systems as standard Loran (BW—Jan. 26 '46, p61), which has little daytime range over land, shore-based radio direction-finding stations, and radio beacons. North Atlantic L-F Loran installations are scheduled for completion by January, 1949; those for other international air routes for 1951.

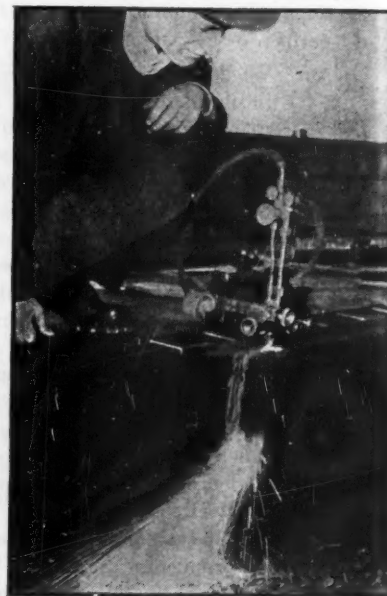
L-F Loran operates on 180 kc. Working ranges up to 1,500 miles are claimed for each chain of three transmitters, radio-synchronized to send out pulses at the same instant. Two chains can thus serve a 3,000-mile air route.

• **Other Aids**—This PICAO recommendation covers only international airways. For that reason, manufacturers of navigation systems other than L-F Loran are concentrating on the development of medium- and short-range systems, suitable for local flights both in Europe and in America.

Several such systems have been developed abroad. Among them are the German Sonne system, the British

Decca (BW—Jun. 29 '46, p56), and the lesser-known British system known as Post-Office Position Indicator, or POPPI (in England the Post Office exercises jurisdiction over radio similar to that of the Federal Communications Commission in the United States).

• **Short-Range Navigation**—To provide high accuracy in position determination for traffic control on crowded short routes such as prevail throughout Europe, PICAO recommended an omnidirectional radio range in combination with radar distance-measuring equipment (DME). Present ranges produce radio-beam highways in a limited num-



## FRENCH CUT

Conscious as never before of the need for overhauling their production techniques, the French are turning their well-known ingenuity to automatic devices. At Villeneuve-la-Garenne, an inventor displays (above) his new machine, the "Chalumor." It's a portable cutting torch that reportedly cuts iron and steel sheets up to 300 mm. thick automatically as it rides miniature rails that act as guides.

# YOU BUY TIME...*by the Second!*

Seconds are worth more nowadays. They cost two or three times more to buy than they used to cost.

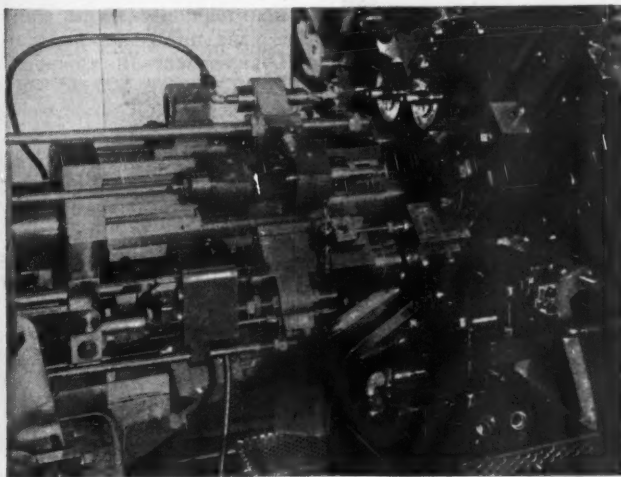
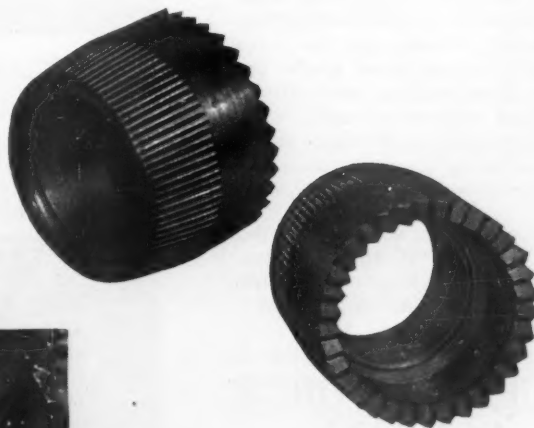
And they are worth more—for modern automatic machines work faster and get more done.

That's why we put so much stress on *machine time*. It is the major controllable factor in the cost of parts.

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## Here is a typical example:

The bicycle sleeve clutch shown is  $1\frac{1}{8}$ " diameter, turned from SAE 5115 bar stock on an Acme-Gridley 6 Spindle Bar Automatic. Fifteen separate operations are required, 34 equally spaced ratchet teeth, including pick-off and counterbore back end.

Machine time per part is 13.7 seconds—262 completed parts per hour.



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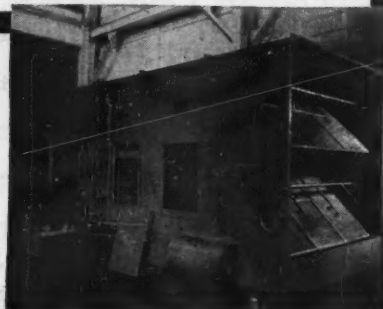


When you get ready to buy air conditioning, go to the man who knew it "way back when"—the Consulting Engineer and the old, established Heating and Air Conditioning Contractor. These are the men who designed and made the first installations, who nursed it thru difficulties and disappointments and who today know more about its practical application than anyone else.

It costs you no more to get the benefits of their experience—in the long run it costs less, plus the advantages of a first class job.

## **BUFFALO FORGE COMPANY**

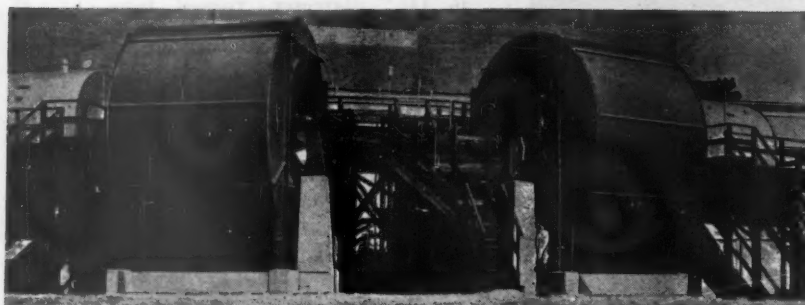
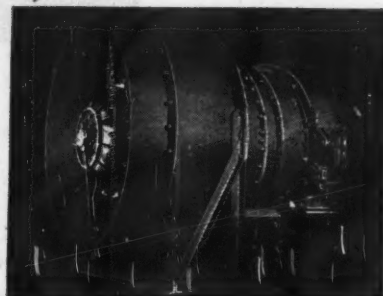
458 Broadway Buffalo, N. Y.  
Canadian Blower & Forge Co., Ltd.  
Kitchener, Ont.



Buffalo Air Washer Units such as this are in use in many of the oldest air conditioned buildings in America, as well as the newest and most modern.



Buffalo Limit-Load Fans are "tailor-made" to your need. Engineers recommend this giant installation to deliver 33,000 tons of air every 24 hours.



Buffalo Axial Flow Fans give straight-line air delivery, minus power-wasting turbulence in a wide variety of industrial ventilating applications.

*"Buffalo"*

**HEATING, VENTILATING  
AND AIR CONDITIONING**

ber of predetermined directions, usually four. The omnidirectional system furnishes an almost infinite number of beams radiating like the spokes of a wheel.

The competing British RAF Gee system of short-range navigation already covers most of western Europe with a lattice of position lines like Loran. Hence Gee is likely to remain in use in Europe. Regional conferences will determine whether terminals of long-distance routes are to have both Gee and the omnidirectional equipment.

• **Landing Aids**—Landing of aircraft in poor visibility at congested terminals without delaying flights is a pressing problem today. PICAQ has asked for standardization on a new modification of ILS, the long-ballyhooed CAA instrument landing system (BW-Oct. 5 '46,p48).

Principal advantage of such a system is that a single radio receiver and cross-pointer indicator can be used for both instrument landing and omnidirectional ranging. Installations were recommended for international airports as soon as possible, and not later than Jan. 1, 1951.

• **Intersecting Beams**—ILS uses two beams, providing, respectively, direction and angle of the glide path. A series of fan-marker beacons indicates fixed distances from the end of the runway.

Total cost of installation is \$35,000—small in comparison to the estimated \$1,700,000 loss for U. S. airlines in a recent three-month bad-weather period. CAA has scheduled 110 ILS installations for this country. Although the system requires extensive equipment in the plane, future simplification is likely.

• **Disagreement**—In comparative tests of ILS and the Ground Control Approach system (GCA) developed during the war by Gilfillan Bros., Inc., for the Army and Bendix Radio for the Navy (BW-Aug. 24 '46,p22), participating pilots are reported to prefer GCA. That system uses ground radar in combination with a conventional two-way radio, and thus needs no special plane equipment.

Ground operators watch radar screens showing the position of the plane with respect to the correct glide path for a blind landing. They tell the pilot by radio whether to fly up, down, right, or left to keep on course.

• **To Break Bottlenecks**—GCA units are being installed experimentally at bottleneck airports like New York, Chicago, and Washington, and at the northern air route terminals near Gander, Newfoundland, and Heathrow, Scotland.

GCA installation costs about \$150,000, requires a large crew of operators and expert maintenance on a 24-hour basis, which probably influenced PICAQ's choice of the lower cost ILS.

with its automatic ground equipment.

- **Research Encouraged**—These landing and navigation aids, when installed, will probably develop new bottlenecks in traffic control in the airport vicinity and on the ground. Further research was therefore encouraged.

This leaves the field still open for RCA's Teloran system for broadcasting position-indicating maps continuously to pilots by television, Hazeltine's Lanac, I.T.&T.'s Navar, and others.

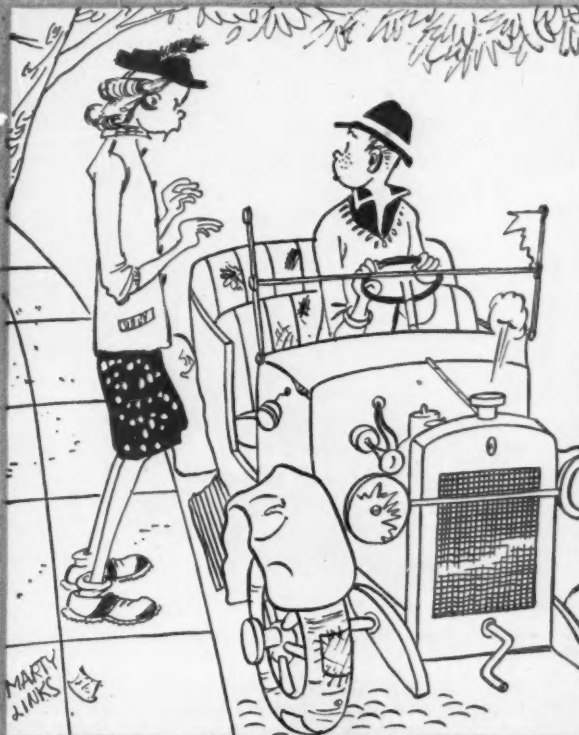
- **Auxiliary Equipment**—Surveillance radar at each airport is a part of practically all proposed complete systems. One new military model, under test at La Guardia Field, comes close to meeting airline requirements already.

This radar furnishes the control tower with a picture showing the relative positions of all planes within a 30-mile radius, superimposed on a map of the area. Chief drawback is that the picture gives no indication of altitudes.

- **Radar in Planes**—No presently existing military airborne radar was considered completely satisfactory for collision-prevention in commercial planes. But there is promise in General Electric's new lightweight airborne radar now under development for the Air Material Command. It will give the pilot a picture of the area below his plane, will reveal mountain peaks or buildings in the line of flight, and will even locate storm areas.

The Houston Corp. of Los Angeles is also working on lightweight airborne radar for Army and commercial use.

- **Pressure-Pattern Flying**—A new flying technique utilizes accurate weather data to take advantage of upper-atmosphere winds. It usually involves flying along a



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Goodyear Tire & Rubber Co.'s giant tire mold (above) will soon be shaping the biggest earthmover tires the company has ever made. Weighing 2,085 lb. and standing nearly 8 ft. high, the tires will be used on equipment to repair and build roads in the big projected U. S. highway program.



The Udylite Semiautomatic Plating Machine with one operator who merely loads and unloads the racks will turn out as much work in a given time as a battery of still tanks with a number of operators. And it doesn't require a skilled operator either.

Specifically here's what this machine will contribute to your plating operation.

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track of constant atmospheric pressure (isobaric). It requires means for detection of pressure changes occurring after takeoff.

PICAO envisions accomplishing this ultimately by periodic radio facsimile weather maps. For the immediate future today's method of comparing readings of radio and barometric altimeters will be continued.

## Radio Circuit Cuts Static, Needle Scratch

A new electronic circuit that can be incorporated in the audio amplifier of a radio receiver or record player provides, according to its inventor H. H. Scott, long-sought suppression of static noise in radio reception and needle scratch or turntable rumble in record reproduction. Scott is president of Technology Instrument Corp. in Cambridge, Mass.

• **Automatic Control**—Principle of operation is automatic and continuously varying control of audio amplifier bandwidth in accordance with the frequency range being reproduced. Advantage is taken of the fact that a musical program rarely if ever occupies the full audio spectrum of approximately 20 to 20,000 cycles at any given instant. Rather, at one instant a bass soloist might predominate and require only a bandwidth of 90 to 350 cycles. At another instant a soprano with fundamental notes from 250 cycles to 1,200 cycles may be featured. For the bass, then, the electronic circuit narrows the amplifier bandwidth automatically to the range from 90 to 350 cycles in which the desired music is at that instant. Thus, for the bass soloist, all rumbling sounds below 90 cycles are suppressed, as also are radio static crashes, phonograph needle scratch noise, and other undesired sounds above 350 cycles.

Now, when the soprano starts, the electronic circuit almost instantly opens up the amplifier just enough to allow her 1,200 cycle notes to get through, and simultaneously blocks the low-frequency end some more since her lowest frequency is 250 cycles.

• **On Market Soon?**—If a soloist is working with a full orchestra and it is producing at one instant all the audio frequencies from the lowest to the highest, the device steps out of the picture and allows all sounds to get through.

The inventor reports that the new device is to be incorporated soon in at least two American radio-phonograph combinations. Other radio firms are also considering the circuit, which for the smallest home radio requires only one extra tube and for large sets calls for three to four additional tubes.



## NEW PRODUCTS

### Bagless Vacuum Cleaner

A new bagless vacuum cleaner developed by Lewyt Corp., 60 Broadway, Brooklyn, is intended for multiple uses. The manufacturers designed the machine for cleaning, washing, rinsing, and drying rugs and upholstered furniture, and for aerating bedding, rugs, and clothing.

Powered by a one-third horsepower motor, the unit utilizes a triple filter principle and is said to give maximum suction even after full dust carrying capacity is attained. Aluminum louvers



round the cleaner dissipate filtered air upward at low velocity. Fans, operating at 16,000 r.p.m., are equipped with lubrication-sealed ball bearings. A radio interference eliminator is included.

Availability: deliveries beginning February, 1947.

### Detects Flaws

A new flaw detector which finds and counts holes, weak spots, and conducting paths in thin materials is being manufactured by General Electric Co., Schenectady, N. Y. The device may be used to test paper, sheet rubber, mica, varnished cloth, plastic materials, and enamel films on wire.

Sheet materials up to .025 in. thickness can be examined by the detector at speeds as fast as 450 ft. per min. Wire may be examined at 100 ft. per min. The machine may be set up to sound an alarm, to operate a recorder, or automatically to shut down the man-

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124



### COST OF MATERIAL HANDLING Per ton—based on 180 tons per day

In addition to these savings, Baker Trucks reduce warehouse rental charges by tiering, contribute to plant safety, speed production and material movement, and perform many other operations that reduce plant overhead.



Handling conditions vary for each particular plant. Your own problem should be presented to an experienced material handling engineer. However, the following example outlines a simple method for determining the savings possible with an electric industrial truck. Let us assume a hypothetical plant with the simple problem of transporting daily 180 tons of material 200 feet from stockrooms to processing machines. Without power trucks this would require 10 truckers, each making 10 round trips per hour, or 80 trips per day, carrying 450 lbs. of material per load.

**TABLE I—Handling Costs Without Electric Truck**

	Cost per day	Cost per ton
Based on 180 tons per day		
Labor (85¢ per hour) .....	\$68.00	\$0.378
Social Security Taxes .....	2.72	0.015
Workmen's Compensation .....	1.00	0.006
Hand Truck Depreciation .....	0.30	0.002
<b>Total</b> .....	<b>\$72.02</b>	<b>\$0.401</b>

In order to mechanize handling operations, the following equipment would be required:

**TABLE II—Cost of Equipment for Mechanizing**

Fork Lift Truck 2000-lb. capacity .....	\$4,100.00
Battery .....	600.00
Charging Equipment .....	840.00
200 pallets .....	700.00
<b>Total</b> .....	<b>\$6,240.00</b>

The truck, handling one-ton pallet loads of material, making 24 round trips per hour, could transport the 180 tons in 7½ hours.

**TABLE III—Annual Expense—Truck Operation**

Depreciation—Truck at 10% .....	\$410.00
Battery at 20% .....	120.00
Charging equipment at 6% .....	56.00
Pallets at 20% .....	140.00
Tires .....	190.00
Repair and Maintenance—Truck .....	164.00
Battery .....	24.00
Charging Equipment .....	33.60
Replacement of damaged pallets .....	70.00
Electricity .....	82.00
Insurance .....	10.00
<b>Total annual expense</b> .....	<b>\$1,209.60</b>
<b>Expense per day</b> .....	<b>4.03</b>

**TABLE IV—Handling Costs—With Electric Truck**

	Cost per day	Cost per ton
Based on 180 tons per day		
Labor (Driver—\$1 per hour) .....	\$8.00	\$0.044
Social Security Taxes .....	0.32	0.002
Workmen's Compensation .....	0.16	0.001
Truck Expense .....	4.03	0.022
<b>Total</b> .....	<b>\$12.51</b>	<b>\$0.069</b>

**TABLE V—Savings With Electric Truck**

Savings Per Ton .....	\$ 0.332
Savings Per Day (Handling 180 tons) .....	\$9.51
Savings Per Year (300 days) .....	17,853.00
Per Cent Reduction in handling costs .....	83%
Annual earnings on investment .....	286%

While this example is obviously oversimplified, Baker Material Handling Engineers are prepared to show you how similar savings can be made on handling operations in your plant.

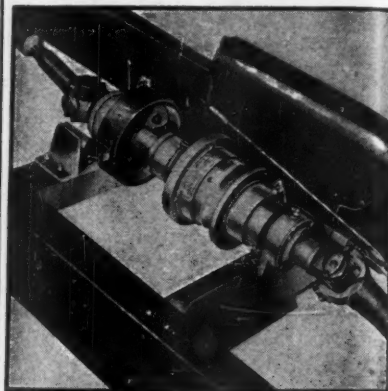
ufacturing process when flaws are encountered.

The detector consists of an electrode assembly through which an adjustable voltage is applied to the material undergoing test. An electronic circuit, which indicates flow of current through the material when a flaw passes under the electrode, actuates the chosen indicating device.

Availability: delivery in 22 weeks.

### Power Take-Off

A heavy-duty truck-mounted power take-off that is an integral part of the drive shaft assembly is being made by Davey Compressor Co., Kent, Ohio. It uses an internal and external gear drive operating as a spline for V-belt or chain



drive. Installation is made at the rear of the truck transmission case.

Three separate capacities are available: 50, 75, and 100 hp. The take-offs are expected to find uses on truck-mounted air compressors, generators, gas well bailers, concrete mixers, and rock crushers.

Availability: delivery in 15 to 30 days.

### Flexible Flashlight

A flashlight with the bulb mounted in the end of a flexible metal tube is a product of Holub Industries, Inc., Sycamore, Ill. The light may be pointed in any direction, wound around pipes and cables, and inserted in restricted spaces.

Called the "Flex-Spot," the light comes in both standard and pocket sizes. Cases are of polished aluminum.

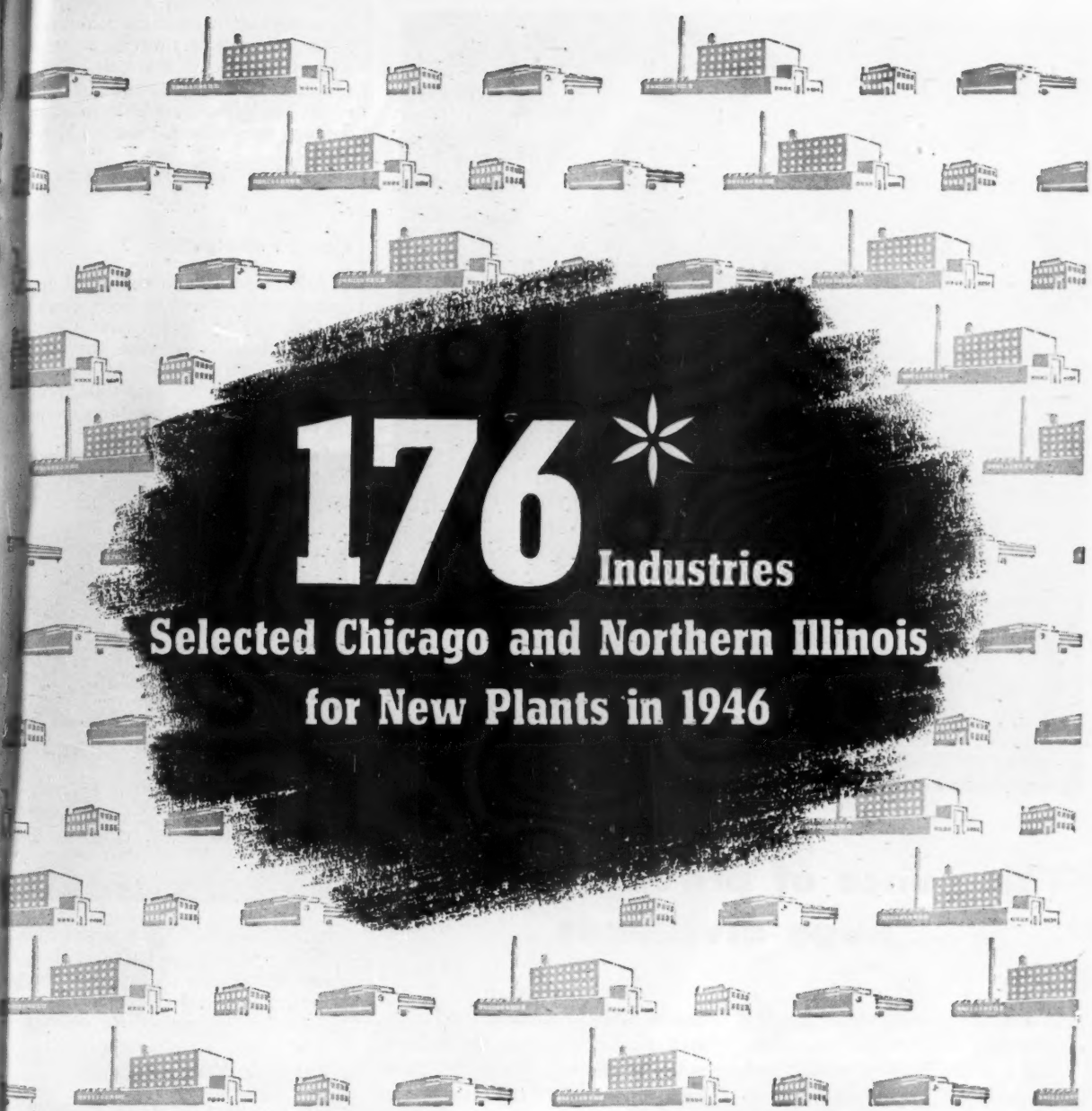
Availability: deliveries beginning January, 1947.

### Explosion-Proof Thermostat

Intended for applications where dangerous dust and fumes are prevalent, a new remote bulb thermostat is being produced by United Electric Controls Co., 69-71 A St., Boston. The mechanism is installed in a threaded housing, the cover of which may be removed for inspection or maintenance. The ex-

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plosion-proof housing is tapped, ready for installation of electrical connections.

The thermostat, which is termed Type EJO, has an external calibration adjustment. A range spread of 120 degrees or of 250 degrees is available in models covering temperatures from -120 F. to 600 F.

Availability: delivery in two to three weeks.

### Home Pasteurizer

A thermostatically controlled home pasteurizer is offered by Sears, Roebuck & Co., 925 S. Homan Ave., Chicago. Constructed of aluminum, the one-gallon unit weighs 34 lb. Movement of heat waves provides circulation through convection to assure uniform temper-



ture of the milk. A thermostat controls the temperature, and a timer stops the unit, sounding a buzzer when the pasteurization period is complete.

Availability: immediate delivery.

### Versatile Workshop

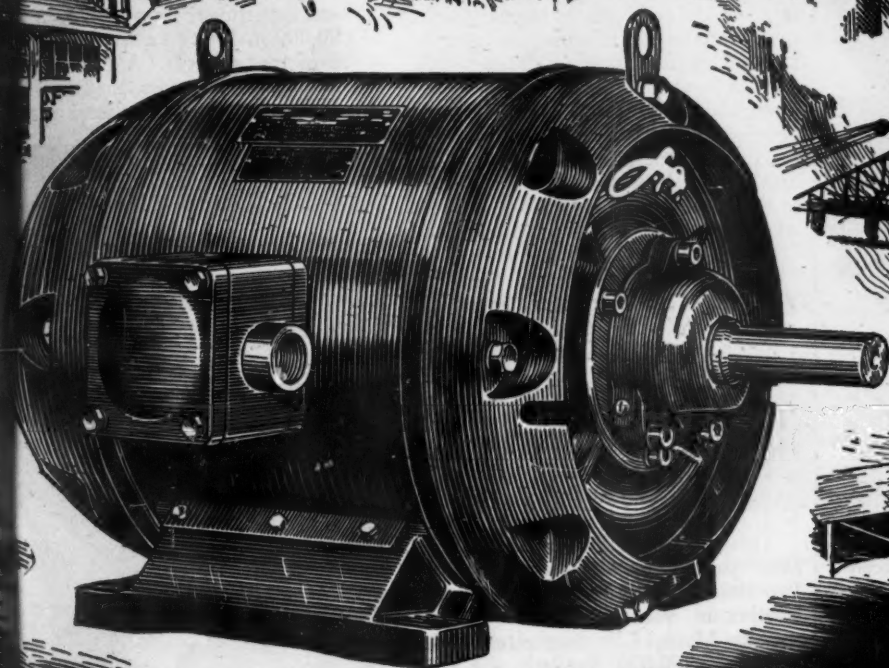
A workshop consisting of five power tools and an interchangeable electric power unit is announced by Duro Metal Products Co., 2657 N. Kildare Ave., Chicago 39. Called the Duro Workshop, the collection includes a lathe, drill press, router, shaper, and bench stand grinder.

In addition to powering these tools, the motor may be used free-hand for engraving, cleaning, sanding, sharpening, carving, and polishing. Sanding discs, sleeves, emery wheels, sharpening stones, and other attachments are included.

The power unit operates on either a.c. or d.c. at 20,000 r.p.m. and takes cutters and drills up to 1/2 in. in diameter.

Availability: delivery two to three weeks.

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**Carpenter**

**STAINLESS TUBING**

**"MORE THAN CORROSION RESISTANCE"**

# FINANCE (THE MARKETS—PAGE 70)

## Retailers Unload Real Estate

Trend to rentals continues as big stores find tax savings attractive. Life insurance companies and colleges, seeking higher investment return, lead among the buyers.

Big retailers no longer have their prewar zest for ownership of real estate. Instead, there is a growing belief that it will be more profitable in the postwar era to switch to the role of renter. Hence more and more major merchants have been disposing of their realty holdings.

• **Life Companies Buying**—Thus far the privately endowed, tax-exempt colleges have proved the principal buyers (BW—Jan. 26'46, p67). However, there are signs now that the life insurance companies, anxious to find new fields in which to invest their policy reserves more profitably (BW—Dec. 21'46, p70), may henceforth be the No. 1 purchasers.

This may prove especially true in the case of the New York City members of the Big Five group of life companies—Equitable Life Assurance Society, Mutual Life, Metropolitan, and New York Life. Not until recently did the New York State insurance laws permit life companies to invest in real estate.

• **Big Sears Deals**—Now Mutual Life has acquired realty holdings in a big way. It has bought from Sears, Roebuck & Co. (price undisclosed) seven Class A stores located in Syracuse, Rochester, Buffalo, and Brooklyn, N. Y., and in Newark, Hackensack, and Camden, N. J.

This isn't the first such deal on Sears' part. Some weeks ago Sears sold two store properties in Milwaukee and another in Wausau, Wis., to Northwestern Mutual Life Insurance Co. for around \$2,250,000. Similarly, the mail-order giant recently sold its Cincinnati store building to the Life Insurance Co. of Virginia and its Irving Park (Chicago) store to the Sears Executive Retirement Fund.

More transactions are in the cards. Sears officials report that the company intends to dispose of other real estate as postwar expansion plans progress and new stores are acquired elsewhere.

Sears hasn't moved after any of the real estate deals thus far. Instead, it immediately leases back the properties under long-term contracts, thus assuring the new owners a continuity of occupancy.

• **Many Large Sales**—Biggest real estate disposal sale in the retail field to date was the transaction in mid-1945 in-

volving Allied Stores Corp., operator of the nation's largest department store chain (BW—Jun. 9'45, p70). Allied sold to Union College, Schenectady, virtually all its real estate and building holdings for approximately \$16,000,000.

Other leading department stores have made similar transactions in recent years.

Gimbel Bros., for example, sold its Philadelphia property (one of the largest local department store buildings) for \$5,000,000 in 1943 to a syndicate composed of four colleges. Another Philadelphia department store, Lit Bros., has since sold its property for almost as sub-



### NEW CURB REIGN

Running the New York Curb Exchange will be the full-time job of Francis Adams Truslow (above) beginning March 1. His term will be three years, his salary \$40,000 annually. Truslow, a New York attorney, has been associated with the Curb legal affairs for twelve years. The Curb first had a nonmember, paid president from 1939 to 1942 (George Rea). Since then various members have served without salary; Truslow will succeed Edwin Posner.



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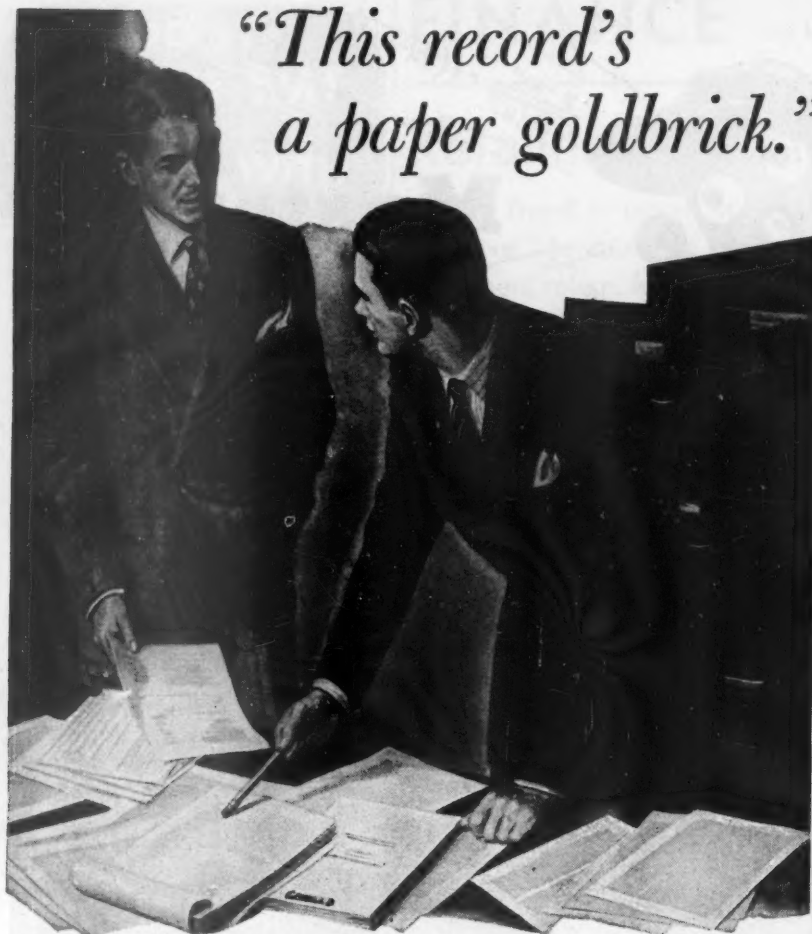
The story behind the need for super-clean air in the every day functioning of business, industry and science is actually no less dramatic than its association with the operation of the differential analyzer. May we send you "AAF In Industry" and other factual bulletins dealing with air filtration and dust control problems?

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**ELECTRONIC**  
**DUST PRECIPITATION**

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*"This record's  
a paper goldbrick."*



The Vice-President in Charge of Production was amazed when the public accountant told him that Form X-463 wasn't earning its keep. Far from indispensable, X-463 turned out not to be worth its weight in paper. It was impeding instead of expediting production ...wasted time, money and energy.

ONE of the public accountant's most important jobs is to check on the efficiency of business forms and records. A trained "outsider" with an inside view, he is uniquely qualified as an analyst. Knowing business procedures, the accountant can distinguish with a ready skill between the functional and the

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## College Sells Real Estate

Running counter to the trend among privately endowed colleges (page 48), state-supported Indiana University is disposing of about half of its commercial real estate holdings. Now being liquidated are 22 properties in Indianapolis, valued at \$400,000.

Dependent as it is on public funds, Indiana University is particularly sensitive to criticism of its ownership of tax-free property which competes with other real estate on which taxes are levied.

Much of the university's real estate came to it as bequests in wills. Final title in many cases is subject to life interest held by annuitants named in the wills. Most of the property now being offered for sale was, until recently, subject to such annuities, and thus could not be sold. Much of the university's remaining Indianapolis property still is tied up by annuity agreements.

stantial a sum to the University of Pennsylvania.

More recently, W. Filene & Sons Boston department store, sold its building to Equitable Life for an undisclosed price. In Chicago, Henry C. Lytton Co. disposed of its 18-story office and department store building to Prudential Insurance Co. for over \$1,000,000.

• **Warehouse, Too**—Nor have property sales by department stores been confined to store buildings. Goldblatt Bros. big Chicago department store chain last month sold for \$2,200,000 an uncompleted local warehouse project. Then it leased the property from the new owner for a period that can extend over a century.

• **Tax Savings Possible**—When the colleges were the major buyers in such deals, there were recurrent reports that Washington had become somewhat perturbed by the trend. Tax authorities were supposed to eye such sales as a method of cutting federal income taxes. And they were rumored to be thinking about remedies to safeguard the Treasury from revenue losses.

Trade circles, obviously, denied the allegations. They said that extremely high assessment valuations and high municipal tax rates accounted mainly for the sales. But to date no concrete restrictive proposals have been suggested by the tax authorities.

• **Mutually Profitable**—There is no doubt that such deals continue to have much attraction for the selling schools. Current high real estate prices enable stores to sell buildings at a profit that in tax returns will be subjected only



*an  
important  
Step..*

## taken without a second thought

You step into a modern elevator as unconcernedly as you step into your slippers. You take it for granted that you will be carried up or down swiftly and comfortably. Safety . . . or the lack of it . . . never enters your mind.

That is as it should be. But you may be interested in knowing how "Otis Elevators" and "safety" have become practically synonymous.

It started 94 years ago with Elisha Otis, founder of this business.

At the Crystal Palace Exhibition in New York, he dramatically cut the ropes holding up the elevator platform on which he was standing. His crude "safety device" worked. The world had its first *safe* elevator.

As car speeds increased, as buildings grew taller, safety devices were designed to meet changed conditions. Skyscrapers came of age when Otis was able to "elevator" them. Acceptance of "Otis Safety" has become deep-rooted with the years. And justly so . . . because Otis has promoted safety in every phase of elevator design, construction, installation, operation and maintenance since 1852.

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But easy, efficient lifting is only one great advantage that 'Budgit' Chain Blocks have compared with all others. They are exceptionally light in weight, which means one man can lift, carry and hang up the 2-ton capacity 'Budgit' in place wherever it is needed. Compare this with oldtime chain blocks of similar type and capacity which weigh so much they are far beyond the strength of one ordinary man. Consider the savings where there is much hand-lifting to do.

Tell us about your kind of lifting and we will suggest the right size and notify our nearest distributor.

'Budgit' Chain Blocks come in sizes to lift up to  $\frac{1}{4}$ ,  $\frac{1}{2}$ , 1, and 2-ton loads. Prices start at \$59.50 list. Send for Bulletin No. 367 for complete information.



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the less-costly capital gains levy. Also, rental payments can be charged as a business expense.

Such deals also represent an attractive proposition for an insurance company. The long-term leases figuring in these transactions normally involve rentals sufficiently large to permit amortization of the initial investment while they are operative. Return on the investment is usually better than that now obtainable on securities.

## Readable Reports

San Diego city manager's annual accounting is widely read, offers useful public relations hints for business management.

Corporation executives interested in increasing the readability of the annual report could do worse than examine the recent report of the city manager of San Diego, Calif., to the mayor and city council. The report takes a long stride in the direction of solid public relations.

• **New Approach**—Annual accountings of municipal officers, if they are rendered at all, usually emerge as a mixture of puffs for the political officeholders and unrelieved statistical analyses. Both are useful for limited purposes, but they are nothing to hold a taxpayer's attention or excite his admiration.

City Manager F. A. Rhodes betrays in his report a belief that this is no way to account for a \$230,000,000 business like the city of San Diego. Through the pen of Russell Rink, his assistant, Rhodes takes an unconventional approach. He ignores the politicians, omits as much as he can of the statistical maze, and applies a light touch to what is left. Samples:

**On crime**—Typical treatment of an otherwise cold statistic showing that felony arrests are up 17.9%: "From the above you shouldn't draw the conclusion that our town is overly wicked, because these are figures of arrests made. If we wished to impress someone with the virtuousness of our populace, from purely a statistical standpoint, the police department could stop catching the crooks."

**On the city's blacksmith shop**—"Seventeen thousand pointed tools were sharpened by the blacksmith shop. These tools don't get dull just standing. Someone must have been working."

**On sewage treatment**—"The disposal of sewage is in the same category as death and taxes. The problem is always with us. There are a variety of ways of dealing with this ever-present difficulty of civilization. They run all the way

from the Oriental method of dumping the stuff into the street which serves the dual purpose of a public thoroughfare and an open sewer, to purification so complete that the effluent can be used for drinking water. Even though water is a scarce commodity in San Diego, we don't use the latter plan because of the cost. Instead we use a process that stands about third from the top rung of perfection."

**On firmness**—A gratuitous commentary about a stiff battle over the city's refusal to pay a big water bill: "Firmness is that admirable quality in us which is detestable stubbornness in others."

• **Made at Home**—The 60-page booklet is a city hall product down to the printing and the color photographs that grace the cover. It is brightened by cartoons of Sandy Ago. Sandy's minute inspection of city services provides the theme for the report.

Among San Diego taxpayers, the report is must reading.



## FOR A PLEASANT JOURNEY

Opening at a mere touch, automatic vestibule doors are among conveniences in Pennsylvania R.R.'s new "overnight" coaches unveiled in New York last week. Four of the coaches, costing \$90,000 each as against \$50,000 for prewar units—have been delivered, the first of 349 passenger coaches ordered by the railroad. For service on regular-fare luxury trains, the "overnight" cars are equipped with fluorescent lighting, public-address systems, and improved ventilation. Each is 85 ft. long—5 ft. more than older coaches—but wider spacing between seats reduces capacity from 44 to 44. Styled by Raymond Loewy Associates, the cars were built at the railroad's Altoona (Pa.) works.

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For further information, write M. P. Catherwood, Commissioner, New York State Department of Commerce, Room 209, 112 State St., Albany 7, New York.



**NEW YORK MEANS BUSINESS**

# LABOR

## Congress Faces Portal Issue

Flood of suits filed by unions sure to bring legislation defining employers' liability. But there are grave doubts that any new law could have retroactive effect on suits already filed.

Quick congressional action to curb dizzily mounting portal-pay suits was in prospect this week. However, there was growing doubt that any new legislation could relieve business of liability already incurred for back pay and damages.

Rep. John W. Gwynne, who last year unsuccessfully sought to set a limit on retroactive back pay suits, will introduce a revised bill in the new Congress. Strong Republican backing is assured.

• **Statute of Limitations**—As now planned, the Gwynne bill would require suits for recovery of back pay to be filed within one year after liability was incurred. This, in effect, would place a twelve-month statute of limitations on claims. Present confused state statutes which govern Fair Labor Standards Act suits (BW-Dec.7'46,p77) would be superseded by the proposed federal limitation.

The big question in congressional minds was whether such a limitation can be made to apply retroactively. Even Gwynne and other staunch proponents of the measure shared strong doubts that it could be. So in conferences with experts on constitutional law they anxiously sought some other way to relieve management of all, or a large part, of the growing burden of back pay claims.

• **"Good Faith" the Test**—One proposal, which probably will be incorporated into Gwynne's bill, would exempt an employer from liability for "any act done . . . in good faith" in accord with regulations, orders, and administrative interpretations of the law. Subsequent changes in policies, by "judicial authority" or otherwise, would not create employer liability for retroactive pay on the new basis.

But there is considerable doubt that even that clause would stand up in court as a bar against legal actions filed before its passage.

• **Claims Total Billions**—Unions, fully aware that docketed suits probably will withstand attacks although new ones may be barred, hurried into the courts with portal-pay claims. The alertness of some firms on the portal-pay issue which Business Week reported early last fall (BW-Sep.14'46,p98) seemed justified with a vengeance. By last week end, portal-pay actions filed in federal courts asked for nearly \$1 billion in wages

and damages. Before Congress can act the total may be several times that amount.

C.I.O. attorneys were completing details of a \$270 million action against the Ford Motor Co.'s River Rouge plant, and of another large suit for the former Ford Willow Run bomber plant. Other suits were piling up in a variety of industries.

• **Mount Clemens Sued Again**—The Mount Clemens Pottery Co., in which the present wave of suits began, again was named as a portal-pay suit defendant. The United Pottery Workers (C.I.O.) asked \$2 million for 1,200 employees who were not covered in the union's original suit in 1941.

Meanwhile, the federal judge who handed down the first decision against

Mount Clemens complained that his finding had been misinterpreted in the Supreme Court review of the case. He had considered testimony on a basis of management's liability for unpaid overtime, and not for portal-to-portal pay. Management hopes rose, then faded. On close scrutiny, the two appeared one and the same thing in the pottery case.

• **To Settle or Not?**—The growing question for management was whether to settle immediately, by negotiation—as Dow Chemical did (BW-Nov.2'46,p84)—or to refuse to enter negotiations on portal-pay terms and leave settlement to Congress and the courts.

Philip Murray, C.I.O. president, had announced that his unions consider portal-pay claims and 1947 wage demands as two separate things. This dampened some hopes of negotiating a settlement which would (1) wipe out back pay liability by lump sum payments and (2) postpone, or at least hold down, hourly wage increases this year in return for portal-pay concessions.

Despite Murray's statement to the contrary, there still remains a strong probability that many unions will bargain on such a basis.

• **Risky Choice**—The alternative to bargaining—leaving the whole matter to Congress and the courts—appeared more of a gamble in the light of congressional



### THERE'S DANGER IN CROSSING BRIDGES

Climaxing a growing disagreement, Joe Curran has turned away from his association with Harry Bridges (left) in the C.I.O.'s Committee for Maritime Unity. They were cochairmen until Curran resigned last week. His action may become the issue on which a developing battle against Curran within the National Maritime Union is fought. A left-wing group in N.M.U. has repudiated Curran's resignation from the C.M.U. post. If these left-wingers win N.M.U. control from Curran, the union of seamen could well be dominated by the influence of Bridges, who heads the C.I.O.'s longshoremen



doubts about retroactive effects of any new law. Brightest ray of hope—and it was a tiny one—was for a Supreme Court reversal of opinion when, eventually, one of the current suits on portal-pay reaches the high court.

Government, particularly the Bureau of Internal Revenue, is sharing current concern over the growth of the portal-pay issue. If corporations are required to meet heavy back wage payments, reducing profits, then government stands to lose millions in corporate taxes. That thought, and general uncertainty over the effects of portal-pay demands on corporate finances, also have been reflected recently by Wall Street.

## A.F.L. in St. Louis Cites the Strike Record

The A.F.L. considers the record its best defense against outside interference with the traditional processes of collective bargaining. That is why a survey completed last week by John I. Rollings, executive of the Central Trades & Labor Union (A.F.L.) in St. Louis, may become a model for similar efforts in other communities.

Rollings surveyed St. Louis A.F.L. unions to ascertain how many contracts they had negotiated in the twelve-month period following V-J Day and the number of them concluded without strikes or loss of working time. Up came the findings that, of 10,117 contracts signed in that period, only 448 or 4.4% were preceded by walkouts. Only 10,323, or 9.1%, of the 103,188 employees involved went on strike. While local affiliates of C.I.O.'s "Big Three" often were on the picket lines, the survey indicates, A.F.L. locals were gaining from 10¢ to 23¢ an hour by peaceful negotiations.

The survey, Rollings acknowledges, was motivated by pressure of the St. Louis Post-Dispatch for the establishment in St. Louis of a "Toledo plan" for settling labor-management disputes (BW-Mar. 2'46, p97). Both C.I.O. and A.F.L. turned cold shoulders on the proposed plan. They maintained that industrial relations in St. Louis did not require any further labor-management-public disputes' settlement machinery. They expressed confidence in the National Labor Relations Board and existing conciliation agencies.

In all, 318 locals received questionnaires from Rollings. There were 222 replies. No answers were received from 56 locals representing workers in the railroad industry, whose strike action is limited by the Railway Labor Act.

A.F.L. President William Green applauded the St. Louis central body and said similar surveys would be urged upon A.F.L. central groups elsewhere.



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We have intelligent and industrious people—most of them would rather work than strike.

We have plenty of raw materials—yet business is held back by artificial man-made shortages.

We have marvelous plants and machines—partly idle through strikes, needless regulations and confusing taxes.

We have big hungry markets, waiting to absorb goods, and yet we starve them.

Man-made obstacles—conflicting laws, pressure groups, selfishness—all help to waste our opportunity to enjoy years of prosperous business and better living.

Why can't we quit fumbling, think straight, and go to work?

The responsibility is ours—yours and mine.

*Geo. T. Trundle Jr.*  
President



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## FOR PEACE IN THE CITY OF BROTHERLY LOVE

Last week, Edgar L. Warren (left), U. S. Conciliation Service head, laid responsibility for industrial peace in the Philadelphia area into the laps of those responsible for it—management and labor. He formally charged a new joint assembly—ten representing industry, five each from the A.F.L. and C.I.O.—with assisting in “minimizing work stoppages, terminating strikes.” It will undertake, on request, mediation and other conciliation efforts. The Conciliation Service’s area director is chairman; he may convene the assembly to act in any dispute which threatens to disrupt vital industries.

## C.I.O. Split Widens

Left-wing unions threaten to secede after Massachusetts Council prohibits Communists from holding office.

Repercussions of the Massachusetts C.I.O. Council’s drive against left-wing unions (BW-Dec.28’46,p64) were being watched this week by those concerned with C.I.O.’s moves against “outside influences.”

• **Natural Reaction**—The Massachusetts organization went further than the parent organization was willing to go to curb left-wing leaders. Subsequent threats from a bloc of angry local unions that they would secede were considered a natural consequence of disturbing a delicate left-right balance.

The Massachusetts Council barred Communists from holding union office, and, to curb leftist influences more stringently, reduced the executive committee from 34 to ten members. The latter move assured control of state policy by the right-wing coalition of textile, steel, and clothing workers unions. The United Electrical, Radio & Machine Workers Union charged that its recommendations were ignored in appointing the one member to which it was entitled on the new ten-man committee.

Instead, it complained, a right-wing sympathizer was appointed over the union’s protests.

• **Secession Voted**—Immediate reaction of left-inclined locals in Massachusetts was to pull out of the state C.I.O. organization. Two small U.E. locals, representing 2,000 paid members, formally voted to withdraw. A large U.E. local, paying C.I.O. state assessments of 7,000 members, and claiming to have 15,000 in all, notified the council it would pay no more assessments as long as “taxation without representation” was the state policy. Others in the left-wing group were considering either outright secession, or—virtually the same thing—discontinuation of per capita payments.

Malcontents estimated their strength at 20,000 dues-paying members, or about one-fourth of the state council total.

• **Other Unions Cautious**—It was doubtful, however, that the secession movement would broaden greatly for several weeks, at least the U.E.’s initial protest action was supported by key locals in the International Fur & Leather Workers and the United Shoe Workers. But other important segments of the generally left-wing bloc were hesitant about any strong protest action at this time.

The National Maritime Union, with its own right-left problems (page 54) and the factional United Office & Professional Workers announced that they considered the state C.I.O. position un-

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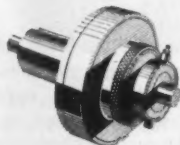
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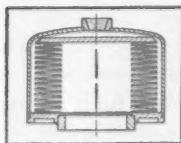




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Inquiries for further information from interested designers and manufacturers are invited.



fair, but that they would not withdraw. Several other unions also took a "wait and see" position. For them, future action apparently hinged on whether the council undertakes a "purge" of leftist-minded officials, and on whether the state organization carries its crusade into the Boston Industrial Union Council meeting this month.

• **Will Murray Act?**—Outnumbered leftists were hopeful that Philip Murray, C.I.O. president, would intervene and, by countermarching the state council's "undemocratic" action, would salvage some voice in state policy for the left. Once before, the national C.I.O. prevented a split in the Boston Industrial Union Council by negotiating a compromise in a left-wing-right-wing squabble.

This time, however, the state right-wing showed little concern over threats of secession, and little inclination to compromise. There was a strong belief that the left was bluffing. If it should prove otherwise, the rightists argued that they had more to gain from a unified, strongly right-wing council than they stood to lose by what they described as "minor defections."

## UAW EDUCATES MEMBERS

The Education Department of the United Auto Workers (C.I.O.), always on the lookout for ways of educating its membership to be good unionists, has developed another means of reaching its rank and file. The new tool is a kit, sold monthly to union locals for \$10, which contains a "turnover talk," two colored posters, four easel placards, and copies of a leaflet.

(A turnover talk is a series of pictures for use by a speaker. Each picture carries a printed legend on the back. The speaker has only to hold each picture up or set it on an easel, and, while the audience looks at it, he reads off the caption. This visual teaching technique was adapted from methods that were employed by the Army Air Forces during the war.)

A central theme is picked for each month's packet, a typical one being "You Are the Union." This theme was carried out in posters which showed a family carrying strike placards calling for a decent living and a few luxuries. In the headline, "That's Why Unions Strike," the word "Union" was crossed out, and "People" written above.

The program contained in the kit is arranged to last only a half hour. During that time, the turnover talk is made, questions are discussed, and a few comments, found in leaflets included in the kit, are made by the speaker.

The kits are designed for use at regular union meetings, initiation rites, education programs, and public relations programs.

## Law That Failed

Series of strikes in gas plants shows up flaws in New Jersey's "model" statute to curb walkouts in public utilities.

The urgency of finding a way to maintain labor peace in the utility industry was emphasized again last week. A series of strikes in three New Jersey gas plants sharply reduced industrial fuel supplies, and threatened to curtail residential service in the Newark area.

• **Acid Test**—The strikes put to a test New Jersey's 1946 utility labor law which provides for state seizure of plants threatened with work stoppages; bans strikes against state-operated plants; and requires union and management to negotiate settlement of contract disputes (BW—Apr. 6 '46, p98).

The New Jersey law has been studied as a model for other states. However, the current test revealed unforeseen weaknesses, and brought predictions of amendment in 1947.

• **Loophole**—Two plants of the Public Service Electric & Gas Co. were struck by 345 A.F.L. steamfitters when negotiations over a wage increase collapsed. State officials were caught off guard. Plant personnel walked out before seizure could be executed. Hence when the state took over, employees were on a legal strike against the company. State orders to return to work were ignored.

A clause inserted in the law on labor's demand barred legal action against strikers. State Labor Dept. employees, who visited strikers in their homes with a return-to-work plea, could use only two threats: that seniority rights would be withdrawn, and that state unemployment compensation payments would be withheld. Neither was effective.

The only force open to the state was the pressure it could bring on both parties to mediate their differences. Hence full service was not restored until, with eleven of fourteen disputed points compromised in state-supervised bargaining, the union ordered strikers back to their jobs.

• **More Trouble**—Another strike, involving a larger group of A.F.L. chemical workers, broke in a third gas plant as the steamfitters ended their walkout. This week the procedure used in the first strike was being repeated; service was being maintained by supervisors' employees while the state pressured labor and management to compromise their differences.

By now it has become obvious that federal and state legislators interested in minimizing utility strikes can find no clear-cut solution to their problems in New Jersey's law.

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## THE LABOR ANGLE

### Conferences

Efforts to get management and labor representatives to sit around a table and explore their areas of common interest have always been disappointing. On a high level—say, that of the President's Labor-Management Conference of 1945—such meetings are blighted by the eagerness of both groups to sell the other some program or policy. On a middle level—discussions between employers and the heads of the unions with which they deal—the talk inevitably becomes a combination of offensive and defensive argument and takes on the intensity of a collective bargaining debate.

Further down the line—powwows between foremen and shop stewards or such similar and not uncommon groupings—the discussion is usually concerned with operational techniques and, though of considerable practical value, barren of larger benefits.

Observers of these phenomena have occasionally speculated on why such meetings should prove so unproductive. One reason that has been advanced, and which has not yet been submitted to proof, is that the topics to which the participants address themselves are either so contentious or so vague as to drive the discussion into the ground or into the clouds.

It is not hard to recall experiences where this has been exactly true. Nor is it novel to engage in a meeting over what seems on paper to be a most promising agenda, only to see the talk take a course of its own to end in a blind alley.

### Study

These reflections grow indirectly from the reading of one of the most unusual and provocative documents ever to be produced in the field of union-management relations. It is a study called "From Conflict to Cooperation" and it has been prepared by research staff members of the Committee on Human Relations in Industry attached to the University of Chicago.

This painstaking piece of research examines the relations between S. Buchsbaum & Co. of Chicago and Local 241 of A.F.L.'s International Chemical Workers. The account of what is, by any standard, one of the

most extraordinarily intimate union-management relationships in America, and of how it developed to its present mutually satisfactory state, is told largely through the tongues of the employer and union representatives who made it that way. Their words have been carefully taken down by the researchers—unedited of the corn and catch-as-catch-can syntax of live speech. The research staff augments this basic material with an introduction and analysis of its own.

The scientific detachment of the entire study is such that it seems somehow appropriate to find it published in the fall, 1946, number of *Applied Anthropology*, the readers of which are more often concerned with descriptions in meaningful, objective terms of the behavior patterns of tribal society.

### Ideal

Now what can be done with a study like this? Certainly it should be read carefully by everyone in the field. Many will find what it reports almost incredible, many will dismiss it as the result of circumstances so peculiar as to be unique and not relevant to any other situation, but some will find in it fruitful suggestions. Just being provocative of thought to all who read it gives it value; yet it should have a greater usefulness.

Hence the mind turns to the question of how to put it to some wider use. And it seems obvious that here is ideal stuff for the joint study of a labor-management discussion—at any level—which has as its object progress in joint enlightenment and mutual understanding.

### Rewarding

Let those who would engage in what promises to be such a rewarding discussion read this 30-page study carefully. Then let the union answer to why it does not perform like Local 241 of I.C.W. Similarly let management face up to the question of why it does not approach labor relations like S. Buchsbaum & Co. Keeping on that subject should provide each of the participants with more insight into the other's problems than any curriculum of understanding which has been devised so far.



# THE INTERNATIONAL OUTLOOK

BUSINESS WEEK

JANUARY 4, 1947



Spectacular developments are already foreshadowed along the international front in 1947.

In Argentina there will be a steady drive by the aggressive Peron government to make Buenos Aires the center of a rapidly expanding trading bloc.

Besides the shrewd trade deals already made with Ecuador, Peru, Chile, and Brazil, you can expect pacts with Bolivia and Venezuela.

In general, Peron is bargaining badly needed foods and credits (which Argentina has in abundance) for industrial raw materials (essential if he is to turn his country into an industrial power).

Washington, belatedly acknowledging the success of the Peron program, is about to revise its policy of antagonism toward Argentina.

Developed under former Ambassador Spruille Braden at a time when Peron's blatantly pro-Nazi stand was bitterly resented in this country, the U. S. policy has failed to produce results.

Important powers that might have made an ostracism program work if they had cooperated with the U. S. refused to cut their trade ties with Buenos Aires. Ostensibly this was because of their desperate need for food supplies during the war.

And Argentina, free from financial or military obligations to any of the major powers, played its independent role aggressively.

The present visit to Washington of Ambassador George Messersmith is part of a U. S. maneuver to put U. S.-Argentine relations on a more realistic basis.

Italians may play an important new role in the future development of both Argentina and Brazil.

Concrete plans have already been drawn up in Buenos Aires to bring Italian immigrants into the country during 1947.

And in Brazil an Italian industrial mission which has been in the country for some time has offered to transfer complete industrial plants from Italy to Brazil if suitable terms are reached.

Included in the proposed deal are textile mills, machine-making plants, and light metals industries.

Plan calls for the transfer of large numbers of skilled Italian workers with the industries.

You can expect Mexico to stage an all-out drive for tourists in 1947.

Declining foreign demand for the country's minerals is cutting seriously into foreign exchange reserves.

On the other hand, a steady increase in surfaced highways and in the number of modern hotels has prepared the country for a tourist boom.

Object of the new administration's harassed financial authorities now is to create an increased flow of tourist dollars to compensate for declining export revenues.

Middle East oil will hold the limelight throughout the year.

To the vast development programs in Saudi Arabia already announced by the two big American concessionaires, Standard Oil Co. of California and the Texas Co., another deal was added last week.

Standard Oil Co. (N. J.) and Socony-Vacuum will enter the Persian

# THE INTERNATIONAL OUTLOOK (Continued)

**BUSINESS WEEK**

**JANUARY 4, 1947**

Gulf field as distributors of large quantities of oil produced by Anglo-Iranian Oil Co. from its wells in Iran.

The 20-year deal means that Jersey Standard and Socony will now have a flow of British-produced oil to meet a part of their vast market requirements in Europe.

At the same time, Jersey Standard and Socony are still trying to negotiate a deal with Standard of California and Texaco to share in distributing Saudi Arabian oil (BW—Dec.21'46,p19).

The Far East is likely to be the most unsettled area of the world in 1947.

The political pot will continue to boil in French Indo-China until a strong government is established in Paris and creates a determined colonial program with which the local government will cooperate.

Until orderly trade is restored, the Orient is deprived of a full flow of badly needed rice and coal from Indo-China.

You can expect gradual economic recovery in the Netherlands East Indies.

New tin dredges will be delivered during the year and Indonesian output should approach prewar levels by early 1948.

Oil wells and refineries are already being restored.

Rubber output has recovered more rapidly than anticipated.

Gradual restoration of political order throughout the islands should bring a flow of goods—including vegetable oils, spices, and sugar—to world markets.

Watch developments in Tokyo for a clew to the country that will be the No. 1 textile producer for the Orient.

The deplorable economic conditions in China (BW—Dec.28'46,p77) are rapidly dousing hopes of Chinese manufacturers that they can capture the lucrative textile trade once controlled by Japan.

U. S. military authorities in Japan are strongly advocating that textile production be boosted rapidly as a means of paying occupation costs, and they will apparently have the support of the U. S. taxpayers.

Rehabilitation officials go one step farther and demand that the textile industry be stimulated to take up the labor slack caused by the curtailment of heavy industries.

Textile members of a British Trade Mission now touring the Orient have warned that London will balk all plans to drop the rich textile markets of Southeast Asia in the laps of the Japanese.

Nevertheless, as matters stand today, Japan is again maneuvering into line to dominate the cheap textile markets of the world.

To combat the slump in eastbound transatlantic air passenger traffic, American Overseas Airlines has just announced that it will guarantee return passage to customers who buy round-trip tickets before leaving the U. S.

And to stimulate air freight shipments the company is prepared to supply potential customers with a quick reference booklet on documents required by various countries.

"International Shipping Documents" is available at the Cargo Sales Division, American Airlines, Inc., 100 East 42nd Street, New York.

# BUSINESS ABROAD

## Barter Incentive

German industry swaps various finished products to give employees consumer goods bonuses. Plan cuts turnover.

BERLIN—German industry under conditions of occupation is sometimes on a catch-as-catch-can basis. As a result, considerable barter trade between manufacturers has developed.

In many instances factories exchange finished products for raw materials, or semimanufactures for components. But much of this interplant trade is in consumer goods.

• **How to Hold Workers**—Because wartime rationing, tax, and wage-freeze laws are still enforced, wage inducements are practically nonexistent and would be ineffective. Other incentives have been adopted. It has become customary for factories to lure and hold workers with consumer goods bonuses obtained either by barter or from the plant's production.

In consequence, plant performance has now come to have a close correlation with the amount of hard-to-get goods or food, or both, available to workers.

The system has reduced labor turnover, lowered absenteeism, and raised productivity.

• **Ration Problem**—However, as the system has spread throughout industry the effects of this diversion of supplies—much of it technically "rationed"—have become serious. Consumer goods are usually obtainable only by permit issued upon show of critical need, or to essential workers.

Under the in-plant incentive programs such formalities have been generally ignored. As a result, action has already been started to discourage the system.

• **Picked by Lottery**—Under the present setup, however, supplies are distributed at cost and allotted to workers by lottery or according to need under the direction of Works Councils—a kind of shop committee (usually trade unionists) elected by the plant personnel. These councils participate with management in handling intraplant affairs.

Because wages are barely sufficient to cover the purchase of essential rations outside the plant, workers are forced to use their savings or to sell personal belongings to get the marks to pay for the in-plant offerings.

• **Soap and Jam Swapped**—Examples of how the system works are cited in a re-

port of the Manpower Division of the Office of Military Government for Germany (U. S.):

- A truck production and rail equipment repair plant employing 4,200 workers obtains soap, jam, and work shoes from the firms that are buying trucks.

- A motor repair plant with 5,000 workers distributes shoes, owns a workers' settlement which is being augmented, serves an 800-calory noon meal. (Manual workers, with extra-big rations, forfeit coupons; white-collar workers do not.) The plant runs a farm to augment its food supply.

- A typewriter, bicycle, and motorcycle plant, with 680 workers, sells workers its own products and pots, pans, shoe soles, razor blades, and other goods obtained from its customers. A 40-hour week has minimized labor turnover. Saturday the workers do odd jobs and scour the countryside for food.

- An electrical appliance plant, with 1,000 workers, allocates a small electric stove, iron, cooking range, and a hot plate to workers on the job three months.

- A rubber products plant, with 1,200 workers, offers a pair of bicycle tires to every worker; distributes hot water bot-

tles, shoes, and other household goods obtained from the firm's customers. Commuting workers have their fares paid for them. A noon meal is served in the plant.

## Plan for Brazil

Three-point scheme to stimulate nation's agriculture, raise living standards, announced by Nelson Rockefeller.

SAO PAULO—Public interest has been excited by Nelson Rockefeller's return to Brazil with a scheme for stimulating agriculture.

- **Three-Point Plan**—Rockefeller plans to set up Brazil-U. S. cooperative societies; to finance large-scale educational and nutritional programs similar to the wartime activities of the Office of Inter-American Affairs; and to foster the mechanization of agriculture.

Head office of the co-ops will be in Sao Paulo with branches throughout Brazil's farm lands. From the U. S. will come 10,000 trucks to revolutionize farm-product distribution.

- **To Produce Fertilizer**—Although local chemical firms (chiefly the du Pont-Imperial Chemical Industries unit, Duperial) say they know nothing about it, Rockefeller is reported to be plan-



## NEW MODELS—OUT OF THE JUNK YARD

Smashed during the siege of Budapest, wrecked buses (above) are being stripped to create new ones (below). Such ingenious measures typify Hungary's efforts to recover. A prewar have-not nation, Hungary is still in the same category. Now under the yoke of occupation, industrially poor Hungary has a low credit rating, is unable to purchase its needs, thus must "make do."





ning a gigantic fertilizer plant at Santos. Many of the raw materials will come from the valley of the Ribiera River.

Warehouses and model freezing chambers are to be set up by separately organized concerns. American technicians are to help at all stages of the program. Although mixed capital participation is envisaged to start with, the U. S. money is to pull out when the project is on its feet.

• **Corn First**—Chief farm product to be stimulated is corn. Production of other vegetables and fruits will be expanded later. The primary aim is to provide cheaper food to city dwellers and so to raise the living standard—and productivity—of both farm and city workers.

The director of Brazil's National Motor Factory has announced that he is seeking U.S., British, Swedish, or French patents for the manufacture of 10,000 tractors for the Rockefeller program. Only a month earlier it was thought that the government plant (built to make aircraft engines, but then being converted to tractor production) would be forced to shut down due to high costs, lack of materials, and so on.

• **Inflation Feared**—Many a Brazilian would like to cut in on the Rockefeller bonanza while it lasts. But most of them look with jaundiced eye at his grandiose schemes for the betterment of the "shirtless ones." There is considerable opposition to the scheme from those who maintain, with some justification, that it will simply accentuate the war-born inflation which was at least partly induced by reckless American spending in Brazil.

## British Oil Plan

**Anglo-American Co. expanding processing capacity to cut overseas outlay for refined oil and petroleum byproducts.**

In an effort to balance income and outgo, the United Kingdom will take another step toward making more products domestically.

The Anglo-American Oil Co. now plans to build a \$40 million refinery to expand its plant at Fawley, near Southampton, from an input capacity of 600,000 metric tons to 3,000,000 tons. This will make it the largest and most modern plant in Europe. Crude oil imports will thus be raised, with a saving on expenditures overseas for refined oil products and refining byproducts.

• **Case for Expansion**—Anglo-American's scheme will result in the near-fulfillment of a theoretical proposal made during the war by Dr. F. Kind, managing director of Manchester Refineries Ltd. (BW—Apr. 1'44, p. 110).

Dr. Kind urged that the U.K. boost refining capacity to 10,000,000 tons (it is now just over 5,000,000 tons), and expand the chemical industry to fill more home needs and add to exports. In 1937 the U.K. imported 10,510,000 tons of petroleum, only 1,732,000 tons in crude form.

Dr. Kind figured the postwar import of 10,000,000 tons of crude petroleum for home refining would save \$8 a ton

or \$80 million. Byproducts of refining—plastics, synthetic rubber, and solvents—would replace imports of \$300 million. Export of byproducts might run to at least \$20 million. This would bring total savings in international payments to \$400,000,000.

• **Three-Quarter Mark**—Anglo-American's expansion plan will raise British refining capacity to more than 7,500,000 tons. If chemical processing facilities are developed to utilize byproducts, the saving on exchange may run to seven hundred million dollars.

## Global Trader

**Import-export company hurdles postwar obstacles by readiness to buy, sell, barter, or manufacture almost anywhere.**

American import and export houses have had to do some fancy improvising during the last half year of rising prices, shortages, and maritime and industrial shutdowns. And not all the difficulties originated at home. Many a foreign customer lacked dollars, or foreign exchange of any kind.

A newcomer to the foreign-trade community, Southern Cross Trading Corp., has found some answers to these problems. Playing fast and loose with tradition and applying know-how acquired in wartime government procurement, it has set an example others may find it profitable to copy.

• **Covering the Field**—Southern Cross is the brainchild of a Navy procurement officer, Ross Hofmann, president. His staff had procurement experience in various federal agencies.

First big deal, swung by Southern Cross last spring, was procurement of \$7 million of war surplus from Pacific island dumps for delivery to China. The Foreign Missions Conference footed the bill.

The company has set up subsidiaries in half a dozen countries—Australia, China, New Zealand, the United Kingdom, Philippines, Brazil—and has agents in many trade centers. With a staff of engineers, Vice-President Ward S. Clark, and Secretary-Treasurer Jerome Elswit, Hofmann covered 60,000 miles by air and came back to the U. S. with "firm" orders running to more than \$10 million.

• **Ready for Anything**—Southern Cross will buy or sell almost anything. If it isn't available, they will manufacture it—if they can. The company has purchased factories in Australia and England and invested in plants in other countries.

If a customer can't pay dollars, Hofmann will take sheepskin rugs or back

## Trade Fairs: Signs of World Revival

After a 1946 round of reconstruction fairs and export-sample shows in Europe, 1947 will witness a revival of big trade exhibitions throughout the world. Here are some basic facts on the most important:

Radio & Communications Components Exhibition, Mar. 10-13, London.

Royal Horticultural Hall, Westminster, London, S.W. 1. Apply: Radio Component Mfrs. Federation, 22 Surrey St., London, W.C. 2.

Royal Netherlands Industries Fair, Mar. 11-20, Utrecht. Apply: Secretariat, Koninklijke Nederlandsche Jaarbeurs, Utrecht, Holland.

Prague International Fair, Mar. 14-23. International Commercial Fair, Apr. 26-May 11, Brussels. Apply: Brussels Internl. Fair, 200 rue Marie Christine, Brussels.

International Trade & Samples Fair, May 10-26, Lisbon, Portugal.

British Industries Fair, May 5-16, London, Olympia & Earls Court: light

industries. Birmingham, Castle Bromwich: engineering & hardware. Apply: Commercial officer, nearest British consulate or embassy.

Paris International Trade Fair, May 10-26. Apply: Porte de Versailles, Paris, France.

International Industrial Exposition (formerly World's Industrial Fair), June, Atlantic City, N. J.

Belgium Scientific & Technical Exhibition of Industrial Control, Aug.-Sept., Liege, Belgium.

Canadian National Exhibition, Aug. 22-Sept. 6, Toronto. Apply: Canadian National Exh., Toronto, Ontario.

Fifth St. Erik's International Fair, Aug. 23-Sept. 7, Stockholm. Apply: St. Erik's Massan, Stockholm 5, Sweden.

Engineering & Marine Exhibition, Aug. 28-Sept. 13, London. Apply: Organizers, Messrs. F. W. Bridges & Sons Ltd., Grand Building, Trafalgar Sq., London, W.C. 2.

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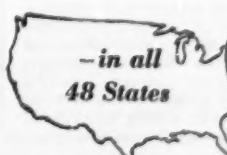
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113,825,000	CONSUMERS POWER COMPANY	First Mtge. 2 7/8%	9-1-75
14,000,000	THE CUDAHY PACKING COMPANY	First Mtge. 3%	5-1-64
28,850,000	THE DAYTON POWER AND LIGHT COMPANY	First Mtge. 3 3/4%	10-1-75
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scratchers. In at least one instance the dollars didn't come out until the fourth swap. American drugs were shipped to China in exchange for silk-embroidered cotton piece goods; these were shipped to Australia in exchange for woolens; the woolens went to England, and some high-grade British goods came to the U. S. to sell for dollars.

Southern Cross is importing woolen textiles from its Australian plant; leather goods from the U. K.; mica, sheepskins, castor beans, tung seeds, bristles and other raw materials from various suppliers. The company declares it now represents a large proportion of Australia's knitting mills and about 40% of the manufacturers of leather goods in Britain.

The company is exporting textile machinery, chemicals, plastics, electronics equipment, and a long line of machinery items.

• **Shock Absorption**—No single operation of Southern Cross can be tagged as unique. But by entering into barter trade, setting up subsidiaries in overseas markets, and manufacturing at home and abroad, the company has hurdled some of the toughest obstacles in the early postwar period.

Hofmann decries strikes and home market consciousness in American industry. But he believes that his own operations are sufficiently dispersed and diversified to survive a storm.

## CANADA

### Rail Rate Crisis

Dominion roads foresee deficits, need for government subsidy, if demand for a 30% freight increase is denied.

OTTAWA—One of the major questions affecting business in Canada in 1947 concerns the future of Canadian railways.

• **Rise or Subsidy**—The railways are now seeking a 30% across-the-board freight rate increase. Hearings have been set for Feb. 11 by the Board of Transport Commissioners, the railway rate-fixing agency. If rates rise 30%, costs of doing business in Canada will go up. If they don't rise, or rise less than 30%, railways may operate at a loss.

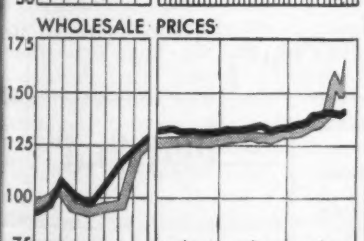
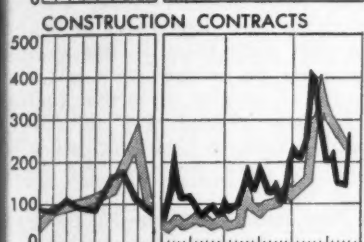
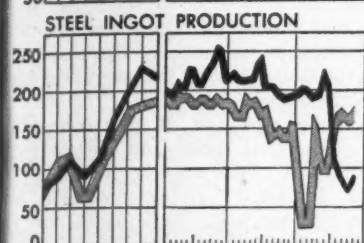
The government would then have to meet deficits on the publicly owned Canadian National system. It might find it necessary to subsidize the privately owned Canadian Pacific system. In addition, the railway companies undoubtedly would have to curtail a pro-



## TREND OF BUSINESS CANADA AND U.S.A.

1935-39 = 100

CANADA — U.S.



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gram of modernization and replacement of equipment which is overdue.

• **Opposition Shaping Up**—If the railways have their way, the rate increase will be granted without a review of individual rates on commodities and local hauls, without a general inquiry into the freight rate structure. Later, they would be prepared for downward adjustments to remove inequities.

The application will face resistance from provincial governments and economic groups on both coasts.

The argument will be that an across-the-board increase will bear hardest on areas depending on long-distance transportation: on the prairies, which must market wheat through Atlantic and Pacific ports; on British Columbia, whose market for lumber and metals is in Eastern Canada; and on the maritimes whose economy is geared to the shipping of bulky commodities—coal, potatoes, fish, and lumber—to central Canada and the U.S.

• **Deficits Feared**—The railways' case is based simply on increased costs set against fixed returns. There has been no general increase in freight rates since 1922. Where 78¢ of every dollar went for working expenses after the first war, now approximately 90¢ goes that way.

In its submission to the board Canadian Pacific estimates its gross earnings for 1947 at \$323,344,000 if the increase is granted and \$286,340,000 without the increase. Its net earnings are placed at \$39,616,000 with, and \$15,472,000 without, the increase. Since its fixed charges amount to \$18,000,000 it faces a possible deficit without any provision for dividends or improvements of property.

Canadian National revenues would be \$397,485,000 with, and \$348,100,000 without, the increase. Its net operating income would be \$60,468,000 with, and \$11,083,000 without the rise. Its requirements for rent of leased roads and equipment, interest, and improvements, amount to \$57,745,000.

• **Equal Competition Sought**—Also looming on the horizon is a battle for the regulation of highway transport. Railways have been pressing and are likely to press harder for an equalization of their competitive position with bus and truck services. The railways are regulated as to rates and standards of service by the federal government through the Board of Transport Commissioners. Bus and truck operators are licensed by provincial governments.

That the federal government is toying with the idea of assuming control at least over interprovincial highway services was indicated recently when Transport Minister Chevrier said it might be necessary in the interests of insuring maximum service from all forms of transport to impose federal control.

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# THE MARKETS (FINANCE SECTION—PAGE 48)

## Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
<b>Stocks</b>				
Industrial .....	145.7	147.6	139.2	167.2
Railroad .....	47.8	48.6	46.0	63.7
Utility .....	80.2	80.9	76.0	82.8
<b>Bonds</b>				
Industrial .....	123.6	123.1	122.6	123.3
Railroad .....	113.4	113.3	111.7	118.3
Utility .....	112.4	111.5	111.9	115.8

Data: Standard & Poor's Corp.

## Year-End Markets Dull

Despite some earlier Wall Street qualms (BW-Dec. 7 '46, p. 110), the over-all performance of the stock market last month followed the customary December pattern: Prices on the New York Stock Exchange generally were higher at the year-end than at the December opening.

But all December precedents weren't followed last month. The bidding for stocks that sent prices higher during the month was mainly confined to the pre-Christmas period. There was no Christmas-to-New Year rally that normally comes when the bulk of tax-loss selling is over. And Dow-Jones industrial and rail price averages, the Street's favorite market barometers, closed well under their December highs.

• **Hopes for '47**—As 1946 ended, some old-timers hoped that "replacement buying" would touch off a rally and brighten up early-1947 trading sessions. They thought such purchases

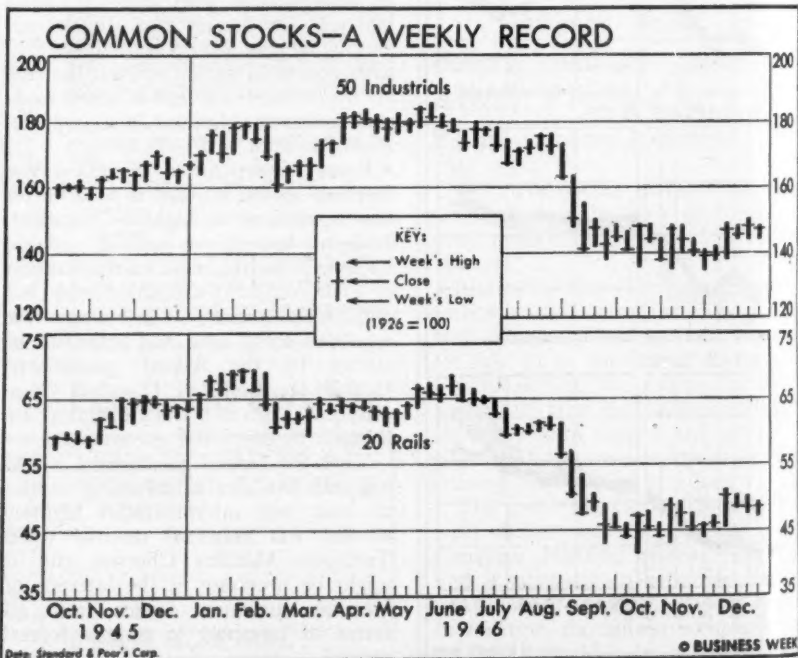
might be galvanized by heavy Jan. 1 interest payments and the reinvestment programs of those who had previously disposed of stock to register tax-losses.

The vast majority of brokers, however, were not so optimistic. They realized that such purchases often proved quite rally-rouser some years ago. But they were not expecting much to develop from that source in 1947.

• **Are Watching Washington**—Instead, most Wall Streeters believed that what was really needed to start the stock market humming again was favorable clarification of some of the major uncertainties clouding the near-term business outlook.

Their attention in this connection was centered mostly on Washington, and they were eagerly watching for the President's state-of-the-union and budget messages; early moves of the new Republican-controlled Congress involving labor legislation, particularly on the portal-to-portal pay question (page 54); tax developments; and action on the elimination of wartime controls. They also awaited with interest the coming Supreme Court decision in the John L. Lewis contempt and injunction case.

• **New Issues Prospects**—No real awakening of the new issues market is expected in the early weeks of 1947. More contemplated new corporate offerings, in fact, have recently been withdrawn from SEC registration than have been filed. And there are yet no



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signs that this trend has run its course. It's quite likely, also, that for some time ahead new financing is going to be more costly to corporations than it was during much of 1946.

A straw in the wind in this respect is the recent hiking of loan rates by one of New York's largest commercial banks. While prime-grade 30- to 180-day loans are still obtainable at 1 1/2% to 2%, rates generally have been upped materially on other types of advances. Rates on loans of up to \$10,000, for example, have been raised as much as 1%. On loans of \$100,000 or larger, rates are up 0.5% or more.

These higher rates, the bank reports, are necessary because of the sharp rise in all its operating costs. Payroll totals, for instance, have jumped to levels double those of five years ago.

• **Start of a Trend?**—Whether this action will turn out to be an isolated incident or start a general move among the large New York banks to increase their loan rates remains to be seen.

However, it is pretty universally believed currently that the trend toward lower money rates that started in 1932 probably culminated in the spring of 1946 (BW—Mar. 23 '46, p. 78). No one yet believes that the Treasury will not be able to hold its long-term borrowing rate down to 2 1/4% for some time ahead. But it is a different matter where corporate borrowing rates are concerned. Many can visualize somewhat better yields (lower prices) during 1947 for less-than-high-grade bonds, and perhaps even some softening of prices in the top-flight issues.

## Butter Poses a Problem

Commodity markets had a new problem to figure out last week: Is it O.K. for a co-op to buy into the market to support prices? Is that rigging? Or is it just good business?

The New York Mercantile Exchange (butter and eggs) got this poser after the Dairyman's League Cooperative Assn. (mammoth New York City supplier) bought up approximately 800,000 lb. of 92-score butter to "save" farmers \$600,000. The league made no bones about its actions. It had a ready explanation: The purchases were designed to stabilize prices and keep milk from flowing out of New York into other areas.

• **How It Was Done**—The league's interest in butter prices is easily explained. Under federal milk marketing agreements, butter and skim milk prices during a milk-marketing month determine the prices farmers receive the following period for fluid (beverage) milk.

According to the league, its "stabilizing" operations covered the last five days of the marketing-month ended

Dec. 24. In that period, noting that butter quotations were becoming "erratic," it propped up prices by acquiring all 92-score butter offered at 84¢ a lb. for four days, and 84.5¢ on the fifth.

Due to such purchases, the average price of 92-score butter for the marketing-month rose to 83.293¢ a lb. That assures 46,000 dairy farmers \$5.46 a cwt. for their January fluid milk deliveries. If the average had slipped under 83.25¢, the fluid price would have dipped 22¢ a cwt., and producer income would have shrunk \$600,000.

• **The Cost**—The league does not say how much the butter buying spree cost. Outside estimates put the figure at about \$750,000.

Obviously, as the price of butter has slumped since the stabilizing activity ceased, the league may suffer some "inventory" losses. But these shouldn't be serious. In fact, the tumble of butter from 84.5¢ to 74¢ on the first market day after the league stopped buying is estimated to have caused a loss of only some \$85,000. And prices rallied after that day.

• **The League's Position**—According to league President H. H. Rathbun, the fluid milk price decline that the co-op takes credit for averting would have brought "a serious decline to producers and jeopardized an adequate supply of milk" for New York.

He argues that Boston's fluid milk price in January is the equivalent of \$5.44 per cwt. in New York. That's enough, he says, to pull New York milk into Boston. Ergo, the league has saved New York's supply.

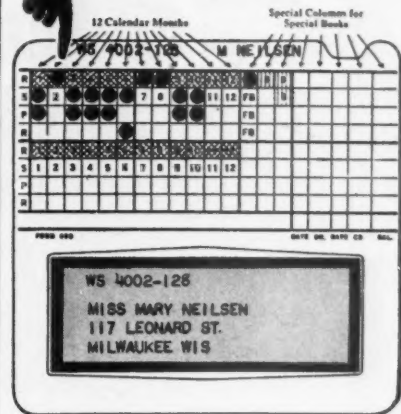
• **Investigations**—Federal and state officials, however, aren't accepting the league's explanation without a look of their own.

U. S. Secretary of Agriculture Clinton P. Anderson, for example, has ordered an investigation of the situation to determine if the league violated any regulations of the Commodity Exchange Act. The possibility seems quite remote that the department will, on its own initiative, suspend the New York milk-marketing order. But there is always the chance that the order's validity will be attacked in the courts, because of the league's price-maintenance action. If such a suit were successful, the department might be ordered to suspend the order.

Attorney General Tom Clark, acting on protests of New York City consumer groups, has directed the U. S. Dept. of Justice to inquire into the league's "stabilization" activity.

And from a third direction, New York's Gov. Thomas E. Dewey has ordered the State Attorney General and Agriculture & Markets Commissioner to ascertain whether the co-op's entry into the butter trading market involved any infractions of state statutes.

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# THE TREND

## PARTY IN SEARCH OF A PROGRAM

The experts in such matters seem to agree unanimously that it was no positive political glamor on the part of the Republican Party which accounts for the fact that it took command of both houses of Congress this week. On the contrary, the almost universal explanation of this triumph seems to be that the voters were fed up with the Democrats, and felt it would hardly be possible to change for the worse.

• This unflattering appraisal of the true nature of the Republican triumph is also supported by any analysis of the vague pronouncements that flowed from most of its successful candidates during the election campaign.

In recent weeks, however, there has been considerable evidence that the Republican leadership is feeling its way toward a positive and coherent program to cope with the nation's economic problems. The Republicans did not need such a program to win in November, and they conceivably may not require it to win in 1948. But if they hope to have a long stand at either end of Pennsylvania Avenue in Washington, they probably must develop such a program.

The unifying element that may be emerging from the Republican probings for a program is an urge to create the conditions under which competitive capitalism has a real chance to do its stuff. This urge perhaps appears most clearly in the pronouncements of Republican leaders in the field of agricultural legislation. They are talking earnestly about a return to a policy of farm production for plenty, with large farm incomes dependent upon a large farm production for an enlarged market. A federal policy of creating the scarcity of farm products necessary to produce higher prices has, in essence, prevailed since 1933.

• The same urge to give competitive capitalism a real chance is also discernible in the searching of the Republican leadership for suitable revisions of existing labor legislation. Here the subject matter is so consistently contentious and murky that any general design tends to be quickly lost. But so far as any Republican revisions are directed to keeping in a workable and competitive balance both the labor and the employer forces involved in collective bargaining (and thus keeping the government out of the middle), they will help save capitalism from being hamstrung by unnecessary government regulation. In this process it is obvious that organized labor should rejoin management within the orbit of federal antitrust law enforcement, and that something should be done to reverse the trend toward industrywide, which often means nationwide, collective bargaining.

When he joined his colleagues Senator Ball and Senator Smith of New Jersey in urging lower prices rather than higher wages as the proper way to restore any present lack of balance between wages, prices, and profits,

Senator Taft was also following the general theme that the thing to do is to give competitive capitalism a chance. For if American industry were to perform in a relatively free and competitive market, it would produce more for less.

• In feeling its way toward a coherent economic program, the Republican leadership has lately also had the impetus of a shove from its political opposition. This came in the form of an appeal from a group of state secretaries of agriculture in the deep and chronically Democratic South, the traditional seat of devotion to free trade, for higher tariff protection on the farm products of the region. This is also a traditional Republican line, but with some Democrats now taking it over, the Republicans may be more disposed to consider opening chinks in the tariff walls and thus admitting what might, on occasion, be the invigorating breezes of more competition.

The full development of a program sincerely and consistently devoted to giving competitive capitalism a full-blown opportunity to serve the nation would be a terrific undertaking. When it took over in 1933, the Roosevelt Administration made the momentous and, at the time, popular decision to try to restore a vanished prosperity by governmental poultries and props rather than by creating conditions under which competition might be made to work. Over the past 14 years a host of federal regulations have been built into the very fabric of the nation's economy. Getting the economy disentangled from that range of regulation which undercuts competitive enterprise and doing it without opening great wounds in the process is a job which only master craftsmen could perform successfully.

Moreover, the full development of a program of competitive capitalism must in itself cause a lot of political wounds. If an earnest attempt were made to follow through on a policy of plenty for agriculture, the political yowls from the farm belt would make a hog-calling contest sound like a whisper. The dire predictions that proposals to revise the federal labor laws evoke from labor leaders already are ringing in our ears. And there is no reason at all to believe that a really thoroughgoing program to increase the scope of competitive capitalism would avoid bringing forth lamentations from certain businessmen who like competition better as a subject for after-dinner speaking than as a business phenomenon.

• Even so, there is reason to believe that the Republican Party would thrive politically on a program consistently, firmly, and sincerely directed to making the United States both the seat and citadel of a competitive capitalism. There is even more reason to believe that such a program, which could be made to provide not only security but both security and plenty, would be fine for the nation.

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